

Connecticut Partnership Policies Can Save You Money

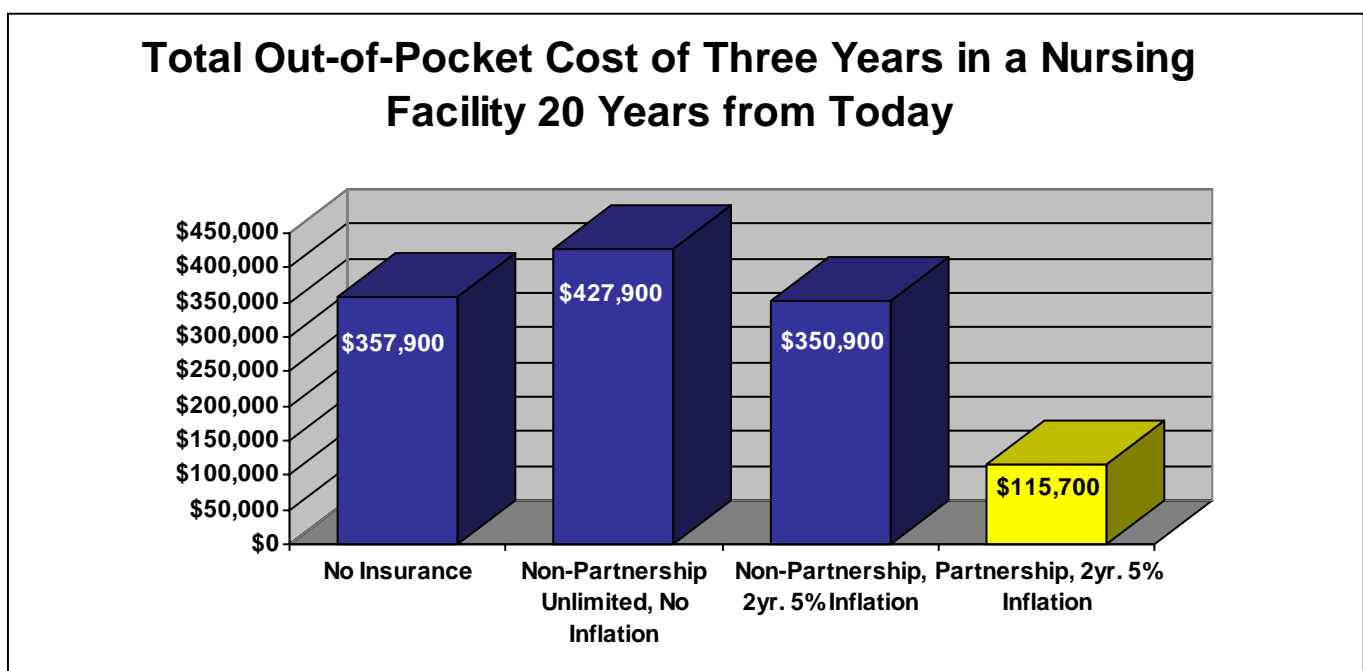
Here is one example of how **Connecticut Partnership Policies** can save you money while protecting your assets. **Consider the following scenario:** You are confined to a nursing facility for three years, twenty years into the future. The cost of a nursing facility is assumed to average \$800/day during the three-year stay (see *Average Daily Nursing Facility Costs in Connecticut* on reverse side). In addition, it is assumed you will have \$100 per day in income available for the three years in the nursing facility. It is also assumed you have \$100,000 in assets in 2007, which in twenty years could have a value of \$250,000 (using a 5% compounded growth rate).

This example illustrates four options of paying for these Long-Term Care (LTC) needs:

1. **Do not purchase LTC insurance (self insure),**
2. **Purchase non-Partnership LTC insurance with *Unlimited coverage without inflation protection,***
3. **Purchase non-Partnership LTC insurance with *2 years of coverage and 5% compounded inflation protection, and***
4. **Purchase Partnership LTC insurance with *2 years of coverage, 5% compounded inflation protection and Medicaid Asset Protection.***

The **first option** is self-insurance. This means you must use your income and assets to pay for your care. The next three options are buying different types of long-term care insurance in 2007 at age 55. Each of the policy options include a 20-day elimination period and a \$300/day nursing facility daily benefit. It is assumed that the inflation protection feature in the policy, when selected, will increase both the daily and lifetime benefit annually. The **second option** is to purchase an Unlimited non-Partnership policy that continues to pay the same daily benefit as long as you need care. *However, since there is no inflation protection with this option, the daily co-payments will end up eroding ALL of the assets you hoped to protect.* The **third option** is to purchase a two-year non-Partnership policy with inflation protection, and the **fourth option** is a two-year Partnership policy which also includes inflation protection. *After paying the insurance premiums for twenty years, you need to be cared for in a nursing facility for three years.*

The chart below shows that the **Partnership Policy has the lowest overall cost** (including co-payments, deductibles and premiums) at \$115,700. The detailed analysis on the reverse side also indicates that the **Partnership Policy would protect your assets, up to \$569,400.**



Average Daily Nursing Facility Costs in Connecticut

Year	2007	2016	2026	2027	2028
Daily Cost	\$299	\$470	\$760	\$800	\$840

Actual - - - - - *Projected* - - - - -

Projected figures are rounded to the nearest \$10 and based on \$300/day in 2007 after 5% compounded inflation.

Detailed Analysis

	No LTC Insurance	Unlimited Non-Partnership LTC Insurance without Inflation	Non-Partnership LTC Insurance with 5% Compounded Inflation	Partnership LTC Insurance with 5% Compounded Inflation & Asset Prot.
Assets in 2007	\$100,000	\$100,000	\$100,000	\$100,000
<i>Value of Assets in 20 Years - 5% Compounded</i>	\$250,000	\$250,000	\$250,000	\$250,000
Annual Insurance Premium	\$0	\$3,500	\$3,300	\$3,300
<i>Income is used to pay premiums</i>				
Long-Term Care Costs	\$876,000	\$876,000	\$876,000	\$876,000
<i>3 years in a Nursing Facility in 20 years - averaging approximately \$800/day</i>				
Insurance Coverage	\$0	\$328,500	\$569,400	\$569,400
<i>Amount of future coverage starting in 2026 based on amount purchased in 2007, which was \$300/day</i>	none	\$109,500 per year of care	730 days of coverage	730 days of coverage
Out-of-Pocket Costs:				
Deductible - Income (\$100/day) used for first 20 days	\$0	\$2,000	\$2,000	\$2,000
- Assets (\$660/day) used for first 20 days	\$0	\$13,200	\$13,200	\$13,200
Co-payment - Income (\$100/day) used to supplement Insurance	\$109,500	\$107,500	\$34,500	⊛\$34,500
- Assets used to supplement Insurance & Income	❖\$248,400	❖\$235,200	\$235,200	❖\$0
Premiums - Over 20 years	\$0	\$70,000	\$66,000	\$66,000
Total Out-of-Pocket Cost ⌘	\$357,900	\$427,900	\$350,900	\$115,700
Assets remaining after 3 yr. Nursing Facility stay	\$1,600	\$1,600	\$1,600	\$236,800
<i>Assets remaining if 1 more month of care are needed</i>	<i>\$1,600</i>	<i>\$1,600</i>	<i>\$1,600</i>	<i>\$236,800</i>
Potential amount of Assets protected from CT Medicaid spend down	\$0	\$0	\$0	\$569,400

- ⊛ This income is used while the individual is receiving Medicaid coverage for 345 days.
- ❖ At this point Medicaid coverage will begin. Income must be applied to the cost of care.
- ⌘ Out-of-pocket costs could be higher if a longer deductible were chosen.

[Note: the above figures have been rounded to the nearest \$100.]

Connecticut Partnership for Long-Term Care

State of Connecticut, Office of Policy and Management

April 2007