OPPENHEIMER

OPPENHEIMER LIFE AGENCY LTD.

Long-Term Care

IN THIS BROCHURE

What is Long-Term Care?

Long-term care includes an array of services that are performed by others when personal activities of daily living are limited by an illness or condition that lasts a relatively long time. An extended illness or some other disabling condition can deplete the assets that have been saved and counted on for retirement.

Most individuals will access LTC services in the following capacity:

Temporary Care

Care needed only for weeks or months

- Rehabilitation from a hospital stay
- Recovery from an illness, injury or surgery
- Terminal medical condition

Ongoing Care

Care needed for months or years

- Chronic medical conditions
- Chronic severe pain
- Permanent disabilities
- Dementia
- Ongoing need for help with activities of daily living

CONSIDERATIONS

In general, Long-Term Care Insurance (LTCI) is a good way to help protect retirement savings against the costs of chronic care. No specific rule dictates who should buy LTCI, although the U.S. Congress has encouraged everyone who can to do so by offering tax incentives. Since each person's situation is different, whether a LTCI policy makes sense for a particular individual depends on several factors:

- Net worth
- Income
- Current health
- Family history (does longevity or chronic disease run in the family?)
- Family relationships
- How much the individual is willing or able to spend on healthcare

How Will You Pay For Your Long-Term Care?

1. You can rely on others (spouse, children, etc.) to provide the help needed. This option is only available to people with a support system in place and if the amount and type of care required are possible for them to provide.
2. You can self-insure and pay for long-term care with your own assets and income.
3. You can spend down all of your assets, then qualify for Medicaid (Medi-Cal in California).
4. You can transfer a predetermined amount of the risk of long-term care to an insurance company by purchasing long-term care insurance.

When you plan for your future long-term care expenses, it is important not only to note what the cost of care is today, but also what it could rise to in the future. The projected five year annual growth rate for long-term care costs is 3.5%, according to a 2016 study conducted by CareScout.

OPTIONS OF PAYING FOR LONG-TERM CARE EXPENSES

Self-Insure: For an individual with substantial retirement income and assets, self-insurance may be an option. Most individuals and families are not in a position to self-insure, however.

Medicare/Medicaid: Medicare will only pay for the first 20 days of skilled nursing care after a minimum three-day stay in the hospital. Although Medicaid, a state welfare program partially funded by the federal government, may eventually pay for nursing home (or other similar facility) and other long-term care expenses, to qualify, the patient must spend down assets and become impoverished.

Long-Term Care Insurance (LTCI): LTCI is designed to help cover the costs of long-term care to help protect assets and assure more choices about the types and quality of care. Typically, long-term care premiums are paid over the lifetime of the insured. However, some policies offer limited-pay premiums where the policy is paid up after 10 years or by age 65.

Life Insurance Policy with LTC Insurance Benefits Rider: Another option that provides some financial assistance is a life insurance policy with an LTCI benefits rider that will accelerate the death benefit and also provide additional monies to pay for LTC services. Some of these policies accept a one-time lump-sum payment, paying for a specific number of years (short pay) or paying over the insured's lifetime.

Moreover, existing in-force life insurance policies may be exchanged tax-free into a life insurance/LTCI policy.

WHICH POLICY IS RIGHT FOR YOU?

- **Traditional LTC Individual Insurance Policies:** Very comprehensive policy: includes Home Health Care, Assisted/Residential Living Care, Nursing Home and Hospice Care.
- **Employer LTC Individual Insurance Policies:** Premiums are discounted, policies issued without medical underwriting and the employer obtains favorable tax advantages.
- **Linked Life Insurance/LTC Insurance Policies:** A universal life insurance policy with an LTC insurance rider. Provides a guaranteed return of premium, a guaranteed life insurance death benefit and a guaranteed LTC Insurance benefit. Most premiums are a single-pay, lump-sum deposit.
- **Life Insurance with LTC insurance Rider Policies:** Similar to linked life/LTC policies, these contracts use a life insurance death benefit to accelerate funds to pay for LTC expenses. However, premiums can be funded over the lifetime of the insured or by paying a lump sum or for a period of years.

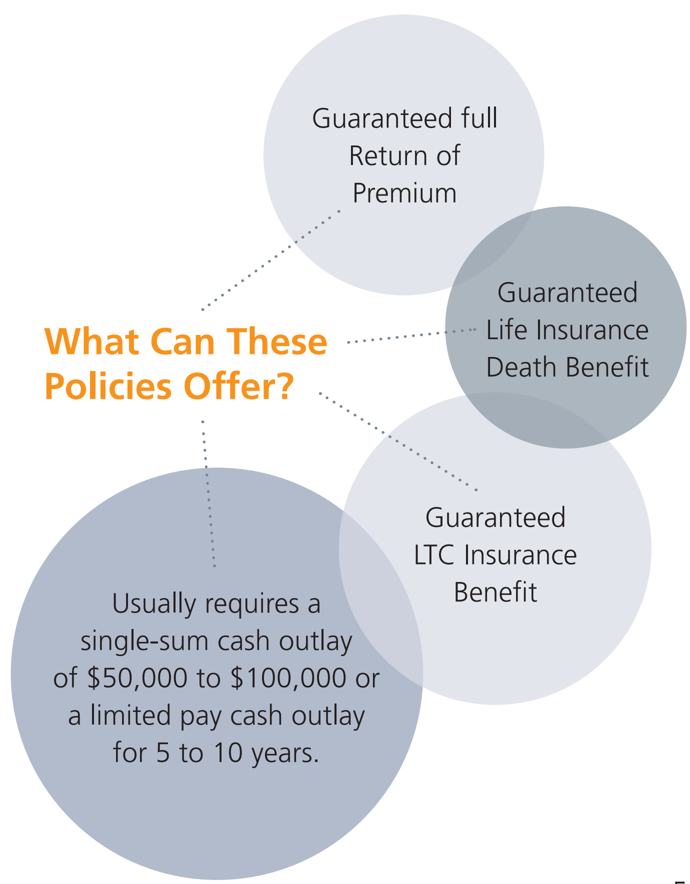
Most long-term care insurance policies offered today consist of a "reimbursement" type of contract in which benefits are paid only for expenses incurred up to a pre-determined benefit amount. Indemnity (per diem) contracts typically pay the entire pre-determined benefit on a daily or monthly basis. Cash contracts pay the stated daily/monthly amount regardless of actual expenses or even if care is not administered.

The following types of care are standard features found in most comprehensive long-term care insurance policies:

- Nursing Home Facilities
- Assisted Living Facilities (aka Residential Care Facilities)
- Home Health Care
- Adult Day Care
- Respite Care
- Care Coordination

LINKED BENEFIT LIFE INSURANCE/LTC INSURANCE POLICIES

Long-term care expenses can directly impact the security of your entire portfolio and can pose a potential threat to your retirement income. In addition to your home, a typical portfolio consists of investments for growth and income; life insurance to efficiently provide for your heirs and assets reserved for financial emergencies, including medical or long-term care costs. Even if you're still saving for retirement, you should consider the threat of long-term care expenses now. If you are sitting on the fence about whether to purchase an individual LTC plan and/or if you have a lump sum of money that you could reposition to cover expenses for a Long-Term Care event, this could be the plan to help you leverage funds available for Life and/or LTC expenses. LTC benefits are limited to usually a maximum of 2 to 6 years.



LTC INSURANCE STATE PARTNERSHIP PLANS

LTC Partnership programs are a joint effort between states and private insurance companies. The intent of these programs is to allow policyholders to help protect (keep) some of their assets if they apply for Medicaid after using up their private long-term care insurance Partnership policies' benefits.

2
kinds of Partnership programs

Original ("Grandfathered") Partnership Programs

National Deficit Reduction Act ("DRA") Partnership Programs

Four states (California, Connecticut, Indiana and New York) implemented LTC Partnership programs after an initiative sponsored by the Robert Wood Johnson Foundation. These four state Partnership programs are often referred to as "original," "grandfathered," or "pre-DRA" Partnership programs.

The Deficit Reduction Act (DRA) was signed into law in 2005. The new law tightened Medicaid eligibility rules but also allowed for the expansion of Long-Term Care insurance Partnership programs into new states. States are now able to implement LTC Partnership programs as long as they meet the guidelines of the DRA. It is hoped that Partnership programs will increase awareness of Long-Term Care needs, encourage individuals to plan for those needs and, ultimately, better protect state Medicaid resources by requiring Partnership insureds to use their private Long-Term Care insurance benefits before seeking Medicaid assistance (and provide an incentive of asset protection for benefits paid under a qualifying policy).

The Partnership programs in the four grandfathered states are grandfathered "as is" and do not need to meet the DRA requirements. State Partnership programs that are implemented after the passage of the DRA are often referred to as "National" or "DRA" Partnership programs. In order to qualify as a National Partnership policy, the applicant must be a resident of a National Partnership state at the time the policy was purchased. The LTC insurance policy must:

- be tax-qualified as described by the Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- have benefits that meet the Partnership policy criteria (e.g., satisfy inflation requirements based on the age of the applicant)
- contain certain consumer protection provisions, as specified by federal law
- be issued on or after the effective date of the state's plan amendment

LONG-TERM CARE INSURANCE CAN OFFER PREMIUM DISCOUNTS

Insurance companies use different methods to determine appropriate premium discounts:

- Preferred Health Discount: 10-15%
- Spousal/Partner Discount: 20-30% (both approved for coverage)
- Marital Discount: 10-15%

SITES WHERE LONG-TERM CARE CAN BE ADMINISTERED

Home Care is generally considered appropriate at the custodial and non-skilled care levels. Home care could consist of a weekly visit by a homemaker who performs housekeeping chores, a personal care attendant who provides assistance with bathing and dressing, or it may be a daily visit by a home health registered nurse or therapist. Although skilled care can be provided in the home, it can be very expensive.

Assisted Living Facilities may also be referred to as residential care facilities for the elderly (in California, they are referred to as Residential Care Facilities). These facilities provide non-skilled care for people who need help with their activities of daily living, but who can also provide a lot of their own care and get through a daily routine with minimal assistance. Usually, skilled care is not provided in assisted-living facilities. These facilities are an excellent alternative to a nursing home. The residents may live in individual apartments that they can furnish and personalize to make them seem more like home. Meals are usually provided in a community dining room, and these facilities provide a number of activities and social events. These facilities may be part of a larger independent retirement community, or as stand-alone operations that only offer assisted living. These are homes that have been converted to board and care.

Adult Day Care is a community-based service developed to help keep people out of nursing homes. Adult day care facilities offer custodial care during the weekdays (some also provide weekend service). This care can be provided to people who need minimal assistance and have moderate impairments. Adult day care centers offer a form of support for those who live in their own homes, or perhaps with their children. Adult day care centers offer family members who are providing care a much-needed break during the day to continue to live their lives and provide care for their loved ones. Patients with Alzheimer's or senile dementia are ideal candidates for this program.

Skilled Nursing Facilities are usually comprised of two separate components. The first component is a unit that provides skilled nursing care that may be covered by Medicare (if the care meets the criteria established by Medicare). The rest of the facility provides non-skilled (or custodial) care. The goal of the "Medicare" section of the skilled nursing facility is to provide services needed to rehabilitate patients so they can return home. However, many times, patients are unable to return home and are moved over to the non-skilled or custodial section of the facility. Usually, in these cases, patients may not have any support services or family in the community that would allow them to leave the facility.