

## Protect everything you've worked for...the tale of Evelyn and Janet

Evelyn and Janet are both healthy 65 year old Californians. They both have \$102,200 of assets in the bank. Both own a house that is all paid for. They have the same amount of money budgeted to spend for long-term care insurance. They both buy long-term care insurance policies with two years of benefits with inflation protection. Evelyn buys a Partnership policy while Janet buys a regular long-term care insurance policy with inflation protection.

Twenty years later at age 85, Evelyn and Janet both require long-term care and begin to draw their insurance benefits. During that twenty years, the price of long-term care services in a nursing home has increased to approximately \$135,600 per year in California.<sup>5</sup> Both women require care for several years. Their insurance benefits run out after two years. Each woman has received over \$271,200 in benefits.<sup>6</sup> Up to this point, their long-term care costs and benefits have been identical. With their insurance benefits exhausted, they both turn to Medi-Cal to help pay for the additional long-term care they need.

Because Evelyn's Partnership policy paid \$271,200 toward her care, she is allowed to keep \$271,200 in assets, plus the \$2,000 Medi-Cal allowance when her Medi-Cal eligibility is determined.

Sadly, Janet did not buy a Partnership policy. Medi-Cal requires her to spend all of her assets to pay for the care she needs, leaving her with the standard Medi-Cal reserve of \$2,000 (in 2001), before she is eligible for Medi-Cal.

Both are required to spend part of their monthly income to help pay for the cost of their care and both women are allowed to keep their homes at this time.

Both women received long-term care services for the remainder of their lives during which time Medi-Cal paid out \$163,500 for each of them. At the time of her death, Janet's savings remain \$2,000 and her home is valued at \$160,000. To recover the cost of the care it paid for, Medi-Cal places a claim on Janet's home and the \$2,000 savings, leaving only a burial policy to cover her funeral expenses. Evelyn's home is also valued at \$160,000, and she has \$100,000 in savings, all of which are protected, because she received \$271,200 in asset protection from the benefits paid by her Partnership policy. Medi-Cal places no claim against Evelyn's estate, allowing Evelyn to leave her home and savings to her heirs. Janet and Evelyn paid the same premiums. They received the same amount of long-term care. It just cost Janet \$271,200 more to get her care.

<sup>5</sup> Assumes costs will increase at a compound rate of 5% annually. The actual costs in 20 years could be more or less than this amount.

<sup>6</sup> See The Partnership's Inflation Protection brochure for an explanation of how the value of the original \$102,200 policy grew over time.

***“Failure to prepare for the cost of a nursing facility stay or other long-term care is the primary cause of impoverishment among the elderly.”***

*– The American Health Care Association, 1997*