John Hancock Life Insurance Company (U.S.A.)
(John Hancock)

# Protecting more of your assets

## What you need to know about the Qualified State Long-Term Care Insurance Partnership Program

# Long-term care planning — It's your responsibility

With the signing of the Deficit Reduction Act (DRA) in February 2006, the federal government has taken steps to encourage Americans to take more personal responsibility for covering the cost of their long-term care (LTC). One provision in the DRA allows states to establish Qualified State Long-Term Care Insurance Partnership (QSLTCIP) Programs. The intention of these government-sponsored LTC programs is to:

- ✔ Help protect the stability of state Medicaid programs
- ✔ Promote the importance and value of private long-term care insurance coverage
- ✔ Offer Medicaid Asset Protection to consumers who buy LTC insurance, enabling them to protect an additional dollar amount of personal assets and still remain eligible to apply for Medicaid coverage of long-term care services if needed

**Your state has chosen to establish such a program.**

# Taking asset protection one step further

LTC insurance is designed to help protect your assets and preserve your independence and quality of life in the event you require long-term care. Your state's Partnership Program takes this concept one step further—by offering Medicaid Asset Protection above and beyond the benefit currently available in LTC insurance policies.

## What is Medicaid Asset Protection?

Medicaid Asset Protection is a means of protecting a portion of your assets that you would otherwise have to utilize, or "spend down," in order to determine eligibility for Medicaid benefits that continue to pay for your long-term care. A Partnership-qualified policy enables policyholders to protect one dollar of personal assets for every dollar the policy pays out in benefits. The amount of an individual's Medicaid Asset Protection is equal to the sum of all benefits paid under the Partnership-qualified policy when he/she seeks to qualify for Medicaid.

The total assets you are able to keep as a result of your Partnership-qualified policy are above and beyond all the regular resource allowances under the Medicaid program, including any assets your spouse may be allowed to keep. It's important to keep in mind that, while a certain portion of your assets may be protected, you are still required to apply your income toward the cost of long-term care in accordance with state Medicaid requirements.

## Understanding the purpose and limitations of Medicaid

Medicaid is a program originally intended to help finance health care for those without the means to pay for private insurance. Over time it has evolved into the primary public payer for long-term care services provided in nursing homes (versus assisted living facilities or the home). In fact, over 1.8 million persons received care in nursing facilities covered by Medicare during 2012.

To qualify for Medicaid coverage of LTC services, rules normally require applicants to spend down their assets to a prescribed level. Until the Deficit Reduction Act passed, it was easier for people to transfer ownership of personal assets in order to qualify for Medicaid LTC benefits for which they would otherwise not be eligible. Over time, this has put a tremendous strain on the state's Medicaid system, jeopardizing its ability to support its intended recipients — those who will truly need help in the years and decades to come.

*Source: 2014 CMS Statistics Report, U.S. Department of Health & Human Services, CMS Pub. No 03510, August 2014

## How a Partnership-qualified policy works

The following is a hypothetical example illustrating the impact of Medicaid Asset Protection through a Partnership-qualified LTC insurance policy. Keep in mind that Medicaid issues and resource allowances vary by state.[1]

| Age of policyholder | With a Partnership-qualified LTC insurance policy |
|---|---|
| JOAN<br>Single mother<br>age 55 | ■ Employed, with current retirement assets (stocks, bonds, cash) of $500,000<br>■ Seeking to preserve a portion of her estate for her daughter<br>■ Joan purchases a Partnership-qualified LTC insurance policy |
| At age 78 | ■ Current retirement assets (stocks, bonds, cash) now at $600,000<br>■ Joan needs long-term care; she satisfies the benefit eligibility requirements and goes on claim<br>■ She pays for her care with her LTC insurance policy |
| At age 83 | ■ Retirement assets (stocks, bonds, cash) still at $600,000<br>■ Home equity value less than $500,000<br>■ Policy is exhausted after paying out $450,000 in benefits; this amount (plus her state's resource allowance) represents the increased amount of assets she will be able to protect when she seeks to qualify for Medicaid<br>■ Joan still requires LTC services, and applies for Medicaid Asset Protection<br>■ She is required to pay her costs for LTC from her personal assets and income |
| At age 84 | ■ Joan is only required to spend down her assets to $460,000 ($450,000 plus a $10,000 resource allowance[1])<br>■ She now qualifies for Medicaid, which starts covering her LTC costs<br>■ Joan's $460,000 in assets are protected, but she is still required to contribute her personal income toward her total LTC costs |
| At age 86 | ■ Joan passes away<br>■ Retirement assets of $460,000 are preserved for her daughter |

The example above demonstrates how owning a Partnership-qualified LTC insurance policy can increase a policyholder's potential to achieve his/her financial planning goals by protecting a specific amount of personal assets that would not otherwise be possible without a Partnership-qualified policy.[1]

1. Example is hypothetical. Results will vary based on each policyholder's personal situation, including financial goals, size of retirement portfolio, performance of investments, cost of living expenses, personal LTC experience, as well as any applicable federal and state requirements and allowances.

## John Hancock Partnership-qualified policies

John Hancock's individual LTC insurance policies are intended to meet the requirements for Partnership-qualified policies, including the tax qualification requirement.[2]

Our policies are tax qualified and meet or exceed all currently applicable National Association of Insurance Commissions (NAIC) consumer protection standards. As a reminder, there are some important steps that consumers must take to ensure that their policy retains its Partnership-qualified status. Specifically:

- You must be a resident of the state at the time the policy is issued.
- You must select the appropriate level of inflation protection based on your age at the time of purchase.

| Age of time of purchase | Minimum required level of inflation coverage |
|---|---|
| **AGES 61 OR YOUNGER:** | 5% Compound Inflation Coverage |
| | 3% Compound Inflation Coverage |
| **AGES 61-75:** | 5% Compound Inflation Coverage |
| | 3% Compound Inflation Coverage |

Please note that your LTC insurance policy may no longer be Partnership-qualified in the future under the following situations:

- You revise your benefits in a manner that no longer meets the requirements for a Partnership-qualified policy (e.g., you drop your inflation coverage).
- You move to a state that does not have the same Partnership program or does not recognize your Partnership-qualified policy.
- State and/or federal laws change and the Partnership program is modified or discontinued at a future date.

### Is a Partnership-qualified policy right for me?

Protecting retirement assets is a major reason why people buy LTC insurance. Buying a Partnership-qualified policy enhances that benefit by allowing you to earmark a specific dollar amount that you can protect through Medicaid Asset Protection. Regardless of whether or not your policy is Partnership-qualified, a John Hancock LTC insurance policy provides you with valuable protection by helping to:

- Pay for future long-term care expenses
- Preserve your retirement assets for their intended purpose
- Reduce the financial and emotional burden of long-term care on family members

**Your financial professional can help you determine whether a Partnership-qualified LTC insurance policy is the right choice for you.**

2. Individual states may impose additional requirements.
3. Minimum required level of inflation may vary from state to state.

The coverage advertised may meet the requirements for participation in a Long-Term Care Insurance Partnership Program in some states. Under this Program, the policyholder may be able to protect assets from Medicaid spend-down requirements through a feature known as 'asset disregard.' Nothing in a policy or certificate issued by a company is a guarantee of Medicaid eligibility, nor a guarantee of any ability to disregard assets for purposes of Medicaid eligibility. Please also note that states do not take part in company-specific marketing plans, and states do not endorse specific companies or company specific policy and certificate forms. If you have questions about the availability of this Program in your state, please contact the company or your state insurance department.

The long-term care insurance policy describes coverages under the policy, exclusions and limitations, what you must do to keep your policy in-force, and what would cause your policy to be discontinued. Please contact the John Hancock licensed agent for more information, costs, and complete details on coverage.

This is an insurance solicitation. An insurance agent may contact you.

Long-term care insurance is underwritten by John Hancock Life Insurance Company, (U.S.A.), Boston, MA 02117.

Visit us at www.johnhancockLTC.com

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Long-Term Care Policy Form: ICC14-LTC-15
ICC14-LTC-15U

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