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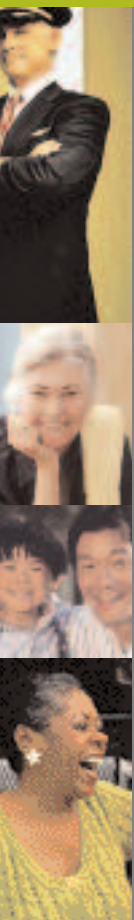
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The Prudential
Insurance Company
of America

Long-Term
Care Insurance

PLAIN TALK ABOUT **LONG-TERM CARE** INSURANCE





TWO SCENARIOS

Sam says he can't afford long-term care insurance, even though premium payments would not affect the household expenses or his children's education. They would however, make paying for a second ski trip more difficult. Anyway, Sam doesn't think he'll ever need long-term care.

Clearly, Sam has his priorities. But has he made his decision with a complete knowledge of all the facts? Perhaps he needs more information about the risks, personal and financial, associated with long-term care.

Karen believes strongly in self-reliance and planning. Although she doesn't have many assets, she is worried that if she needs long-term care she won't be able to get any. She wants to buy long-term care insurance, but it will make a big dent in her budget. She decides she can scrape the money together if she forgoes her one-week vacation and cuts her food budget just a little bit.

Karen's independence is admirable, but her sacrifices are extreme. Giving up her vacation is questionable and cutting her food budget is excessive. Like Sam, she may not be basing her decision on a clear examination of the facts. Sam might have been too unconcerned, but Karen may need more information to make a sound decision.



THE RIGHT SERVICE MIX

It's not just the dollar amount of coverage Mary needs to consider: she also needs to think about the kind of care her insurance policy should cover in order to be appropriate.



Long-term care services are generally categorized by where they are provided: Facility Care (nursing home, assisted living/residential health care facility, etc.) or Home Care (personal care services, home health care, adult day care, etc.). Some long-term care policies cover only one type of care and some cover both. Assuming that long-term care will take place only in a nursing home is as unrealistic as assuming that only home care will be needed. What we want and what may be possible (and medically necessary) may not always coincide. Remember, no one can predict the future and when choosing a policy, it is wise to plan for any eventuality.

Most people prefer to receive long-term care at home, but certain factors can affect your chance of remaining in the community. The ability to stay at home depends on the relationship of the individual's need for assistance to the availability of caregivers. Caregivers can be formal (paid professionals) or informal (unpaid family and friends), but combined they must cover all the hours the patient needs assistance. The fewer informal caregiver hours available, the higher the need for formal care and the higher the cost of home-based care. In fact, there may be a time when care at home could cost more than a nursing home. Those with less informal support and limited funds could have trouble financing the formal care necessary to remain at home. The same person with greater informal support might be able to manage it. Even if it appears that the necessary informal support is available, there are other considerations. Will that support system always be there? What is the true extent of assistance that will be available?



why the younger you are, the more inflation protection you may want. Prudential's long-term care insurance, LTC3SM, offers five* different inflation protection options.

Know your care options

Many people think that since they have a health plan that they have long-term care coverage. But because long-term care is generally not considered medical care, traditional health insurance plans won't pay for it.

Long-term care is the largest unfunded liability in the United States.⁵

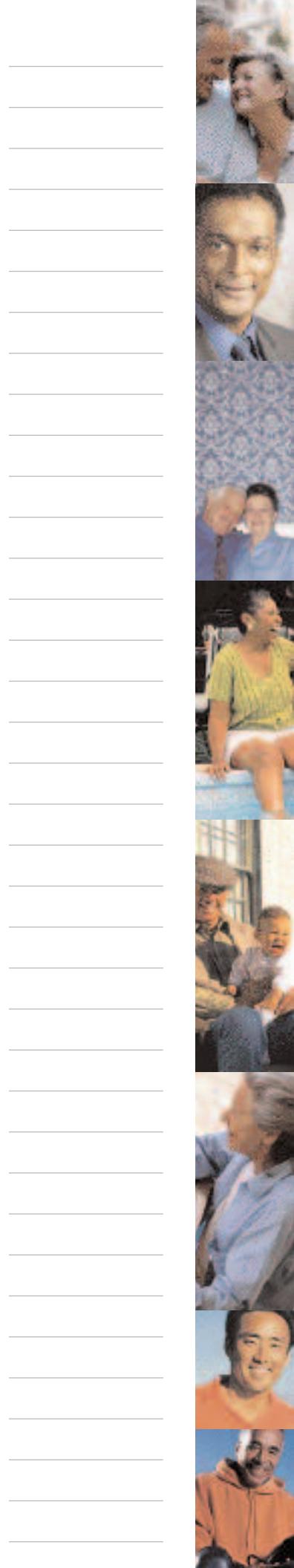
It's easy to confuse disability income insurance with long-term care insurance. Disability income insurance is designed to help replace lost income while actively employed and generally, that coverage will end at age 65 or upon retirement. Disability income insurance was never intended to cover the duration and high cost of long-term care.

Medicare mainly covers skilled care after you have been hospitalized for at least three days and generally does not cover personal or home care services. Medicare was not designed to pay for extended long-term care and should not be counted on as a resource.

If you do not plan for your long-term care, it is likely that you will end up on Medicaid. It is the most common source of public assistance for long-term senior care. Medicaid is a federal-state health insurance program that pays benefits for nursing home care for those who are very poor. Medicaid dictates the type, amount, and location of care and can only rarely be used for an assisted living/residential health care facility or home care. To qualify, individuals must use up (or "spend down") their assets and meet a strict income test—usually \$2,000. In other words, Medicaid is available, but only when a person is destitute.

* Options vary by state.

⁵ Molly Butler Hart, "A Market Dawns for Long-Term Care Coverage," IA Magazine.com, Apr. 2002, p. 1.



POLICY EXCLUSIONS

This is a general list of exclusions, however, state variations may apply. Please see the Outline of Coverage for a complete listing of exclusions which apply to your state of residence. Your Policy is designed to provide benefits to pay for your Qualified Long-Term Care Service needs. Benefits will NOT be payable if any of the following situations apply:

- 1 Illness, treatment or medical conditions arising out of
 - a) War or an act of war, whether declared or undeclared, while you are insured; or
 - b) Your participation in a felony, riot or insurrection; or
 - c) Alcoholism and drug addiction.*
- 2 Treatment provided in a government facility, unless payment of the charge is required by law or services provided by any law or governmental plan under which you are covered. This does not apply to a state plan under Medicaid or to any law or plan when, by law, its benefits are excess to those of any private insurance program or other non-governmental program.
- 3 Charges for services or supplies for which no charge would be made in the absence of insurance.
- 4 Charges for care or treatment provided outside the United States except as described in the International Coverage benefit.
- 5 Charges for expenses reimbursable under Medicare or for expenses that would be reimbursable under Medicare but for the application of a deductible or coinsurance amount.
- 6 Benefits under your policy may be reduced if Prudential also pays benefits for Eligible Charges under any other Prudential Individual Long-Term Care Insurance Policy.

* In Louisiana benefits would not be payable for treatment of alcoholism and drug addiction.