

# Employer Guide

Enhancing your benefits program  
*with* long-term care insurance





Long-Term Care Insurance issued by  
The Prudential Insurance Company of America

# Should long-term care insurance be part of *your* employee benefits program?

At a time when concerns about skyrocketing health care costs and uninsured risks continue to dominate the news, making the decision to include long-term care insurance in your benefits program could be more advantageous than ever. The potential benefits include:

- An enhanced benefits program to help attract, retain and reward employees
- Coverage discounts and employee eligibility for Simplified Underwriting
- Increased productivity for employees who become caregivers for covered family members
- Potential tax benefits if your company chooses to contribute to premiums

And now—with the help of your licensed Prudential representative—you can make a well-informed decision quickly and easily by following these four simple steps:

- 1 Understand the reasons**  
why your company should consider offering an employer-sponsored long-term care insurance plan
- 2 Consider the option**  
of employer-paid premiums
- 3 Understand the advantages**  
of choosing LTC3<sup>SM</sup> from Prudential as the policy offered through your employee benefits program
- 4 Discuss your program design**  
with your Prudential representative

# Understand the reasons for

## The reasons for integrating long-term care insurance into your benefits program are more compelling than ever

As health care costs continue to skyrocket, the perceived importance of employer-sponsored insurance benefits has never been greater. That's why an ever-increasing number of companies, both large and small, are making the decision to assist their employees in acquiring long-term care insurance.

### Long-term care insurance addresses needs your company health plan probably doesn't cover

Long-term care insurance is designed to help pay for an important class of services that are not covered by most health insurance policies: ongoing care associated with a chronic illness or disability. As a result, including this type of coverage in your benefits program can give your company an important competitive advantage.



# employer-sponsored coverage

## Here are some of the important goals long-term care insurance can help achieve:

### FOR YOUR COMPANY

- **A competitive edge in attracting and retaining employees**—This coverage helps protect against potentially significant health care costs, so it can play an important role in encouraging prospective employees to seek out your company and existing employees to stay on. As an added incentive, your plan can include a Key Employee Carve-Out with a limited pay option<sup>1</sup> that presents key employees with a paid-up long-term care insurance policy upon retirement.
- **Increased productivity for employees who become caregivers**—Your employer-sponsored LTC3 long-term care insurance program can make discounted coverage available to the extended families of employees (including spouses, partners<sup>1</sup>, parents, grandparents, siblings, aunts, uncles, and in-laws). As a result, it may help reduce the burden—both financial and emotional—that can fall on employees who are called upon to assist in caring for loved ones covered under your employer-sponsored plan.
- **Potential tax benefits**—As section 2 of this Guide explains, employers have the option to pay all or some of an employee’s policy premiums. The business may be able to deduct the cost of these premiums using pretax dollars, and the total premium paid by the business may not be included in the employee’s taxable income.<sup>2</sup>

1. Availability may vary by state.

2. Rules vary. Prudential does not render tax advice. Please consult your tax advisor.

## FOR COVERED INDIVIDUALS

- **Saves money with built-in coverage discounts**—Coverage discounts are available for Employees, Spouses/Partners, and Other Family Members through your Employer Sponsored Program as follows:<sup>1</sup>

<b>ESP Discount</b> for all applicants regardless of marital status	<b>Additional Discounts</b> for applicants who are married/domestic partners <sup>1</sup>	
<b>5%</b>	<b>15%</b> with the purchase of one policy	<b>30%</b> with the purchase of two policies

- **May help employees and their Spouses/Partners qualify for coverage**—When you choose The Prudential Insurance Company of America as the provider of an employer-sponsored long-term care insurance plan, employees may become eligible for simplified underwriting that can make it easier to qualify for coverage.<sup>2</sup>
- **Provides individual coverage that is portable**—The employee is the owner of the policy, so policyholders can remain covered when they retire or if they change jobs.
- **Helps pay for long-term care without exhausting income and personal savings**—With costs nationwide now averaging over \$217 per day for a private room in a nursing home and \$21 per hour for visits by a home health aide<sup>3</sup>, it's easy for policyholders to envision how long-term care insurance can play an important role in helping them remain financially secure.



1. Availability may vary by state. Subject to applicant approval based on underwriting guidelines where simplified underwriting may be available to actively-at-work employees and Spouses/Partners ages 18-65.
2. Available for groups with 7 or more eligible employees when the employer pays the minimum premium requirement and employees and/or Spouses/Partners meet additional eligibility criteria as defined in Prudential's ESP guidelines.
3. Long-Term Care Facility Costs— A Nationwide Quantitative Evaluation of U.S. Facilities, March 2008. Prudential Financial Global Market Research. [www.prudential.com/insurance/longtermcare](http://www.prudential.com/insurance/longtermcare). For a copy of this report, please call 1-800-732-0416.

- **Helps protect retirement income**—Since policyholders can receive assistance paying for covered long-term care services, they are better able to avoid liquidating assets they'll need to depend on in the future for retirement income
- **Helps retain control of care decisions that can affect the quality of life**—With a long-term care insurance policy to help cover expenses, policyholders will have greater freedom to choose the type of care they receive, either at home or in a care facility.
- **Helps meet needs without becoming a burden to others**—Having a long-term care insurance policy can reduce the chance a covered individual will need to ask other family members for financial support or assistance with daily needs related to a chronic illness or disability.
- **Helps individuals stay at home while receiving care**—With an LTC3 policy from The Prudential Insurance Company of America, a covered individual can receive benefits to help pay for caregivers who provide in-home services.

These are just a few of the goals you might achieve by offering your employees access to LTC3 coverage from Prudential through an employer-sponsored long-term care insurance program. To learn how LTC3 can be adapted to meet the needs of your company and its employees, turn the page now...

# Consider the option of

## Your company will have the flexibility to decide who is offered coverage and whether or not the company will contribute toward employee premiums

Since tax-qualified long-term care insurance is not subject to IRS non-discrimination rules, employers have the option to offer employer sponsored long term care insurance to all employees or selected employees. Employers can also decide to pay for none, all or some of the policy premiums for employees, their Spouses/Partners and their dependents.

## The reasons to consider contributing toward employee premiums include:

**Potential tax benefits**—As the chart to the right shows, the business may be able to deduct the cost of these premiums using pretax dollars, and the total premium paid by the business may not be included in the employee's taxable income.<sup>3</sup>

**Discounts for the company and the employee**—Any premiums your company chooses to pay on behalf of employees, plus any Buy Up Options<sup>2</sup> that employees may choose to pay on their own, will still qualify for these program discounts:

- 5% Discount for Employees, Spouses/Partners, and Other Family Members
- Additional discounts for applicants who are married/domestic partners:<sup>3</sup>
  - > 15% with the purchase of one policy
  - > 30% with the purchase of two policies

**Simplified underwriting eligibility for Spouses/Partners**—The Spouses/Partners of your eligible employees will become eligible for simplified underwriting in Employer-pay cases when the employer pays a minimum portion of premium for employees and their Spouses/Partners:

- > 100% of premium for a core benefit, or
- > at least 25% of each employee's annual premium, or
- > at least \$250 of each employee's annual premium

1. Rules vary. Prudential does not render tax advice. Please consult your tax advisor.

2. Unlimited Benefit Period Buy Up Option is not available in combination with the Cash Benefit Option.

3. Availability may vary by state. Subject to applicant approval based on underwriting guidelines where simplified underwriting may be available to actively-at-work employees and Spouses/Partners ages 18-65.

# employer-paid premiums

	Sole Proprietorship	C Corporation	S Corporation	Partnership	LLC
Tax treatment of premiums paid for employees	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee
Tax treatment of premiums paid for owner/ employees	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	> 2% owner – eligible premium deductible above the line*; all others fully deductible to entity, not taxable to employee	Eligible premium deductible above the line*	Eligible premium deductible above the line*
Premium paid by...	Sole Proprietor	Corporation	Corporation	Partnership	LLC
Reported as income to employee/ owner as	N/A	N/A	W-2 wages to >2% owner	Scheduled K-1, guaranteed income	Reporting depends on whether elected Corp or Partnership status
Tax treatment of premiums paid for employee's Spouse/ Partner	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee	Fully deductible to entity, not taxable to employee
Tax treatment of premiums paid for Spouse/ Partner as a dependent of owner/ employee	Eligible premium deductible above the line*	Fully deductible to entity, not taxable to employee	> 2% owner – eligible premium deductible above the line*; all others fully deductible to entity, not taxable to employee	Eligible premium deductible above the line*	Eligible premium deductible above the line*

\*Treated as an adjustment to gross income on the Individual Income Tax Return Form 1040 (i.e., before itemized deductions) for sole proprietor, partner, LLC shareholder, >2% S Corp shareholder.

PLEASE NOTE: Prudential does not render tax advice. This chart illustrates some of the advantages that employers may experience, but is not meant as tax advice. You should consult with your own advisors regarding your particular situation.

2 Consider the option for employer-paid premiums

## Prudential LTC3<sup>SM</sup> Program Advantages

There are many advantages to choosing LTC3 for your employer-sponsored long-term care insurance program, including:

### Simplified Underwriting for eligible employees and Spouses/Partners

Modified underwriting guidelines could make it possible for individuals who might otherwise be ineligible for coverage to qualify through your employer-sponsored program. The plan allows simplified underwriting for groups with 7 or more eligible employees which meet the following:

#### Eligible Employees

- May be Employer-Paid or Voluntary
- Issue ages 18–65
- Purchase within the 60 Day Initial Enrollment Period
- Must work a minimum of 25 hours per week
- New Hires purchasing within the 30 days of eligibility/employment date

#### Eligible Spouses/Partners

- Must be Employer-Paid for employees and Spouses/Partners
- Issue ages 18-65
- Must work a minimum of 25 hours per week
- Employer must pay for one of the minimum contribution options
- Purchase within the 60 Day Initial Enrollment Period (or within 30 days of a New Hire's eligibility/employment date)

**“Employer-Paid” means the employer is contributing to premiums according to one of these formulas:**

- 100% of premium for a core benefit, or
- at least 25% of each employee's annual premium, or
- at least \$250 of each employee's annual premium

### A Calendar Day Elimination Period that doesn't require any out-of-pocket expenses

The Calendar Day Elimination Period (which can be set at 60, 90, 120, 180, or 365 days) starts the very first day a chronic illness or disability is certified—with no need for the policyholder to submit any bills. As a result, policyholders can begin receiving benefits as soon as the specified number of days has passed, even if they have not incurred any care expenses during this period.

## Plus these built-in extras for added peace of mind

All LTC3 policies include a:

### Cash Alternative Benefit

so policyholders can receive cash benefits without submitting bills

This is a unique built-in feature of every Prudential LTC3 policy which does not require additional premium. It provides a great deal of choice and flexibility at time of claim. At the end of each month that a policyholder is eligible for benefits, he/she can request a Cash Alternative Benefit equal to 40% of the Home Care Daily Benefit in lieu of reimbursements—with no restrictions on how the money is used.<sup>1</sup> For example, a policyholder could use the cash to reimburse unlicensed family members who help provide care.

### Home Support Services Benefit

to help policyholders remain comfortably at home

Every LTC3 policy includes a Home Support Services Benefit equal to 50 times the Facility Daily Benefit that becomes available as soon as a chronic illness or disability is certified—with no Calendar Day Elimination Period. This benefit can help pay for assistive devices, home modifications, transportation services, caregiver training, and other needs that help make home-based care more practical and possible.

### Private Care Consultant Benefit

to pay for expert direction and support for emotional needs

Policyholders can receive reimbursement equal to 20 times the Facility Daily Benefit when they hire a **Private Care Consultant** (i.e., a provider retained by the policyholder that is not affiliated with Prudential) to provide counseling, assist in caregiver training, oversee care quality or provide other consultative services. Reimbursement for these services can start immediately after a chronic illness or disability is certified with no Calendar Day Elimination Period.

### International Coverage

for protection that follows policyholders around the world

LTC3 offers **International Coverage** that can provide benefits outside the U.S. in two different ways: Policyholders can be reimbursed for up to 75% of the Facility Daily Benefit or Home Care Daily Benefit for up to 365 days, or they can access the Cash Alternative Benefit—with no time limit—until the Lifetime Maximum Benefit of the policy is reached.<sup>2</sup>

1. This Cash Alternative Benefit is available when you select the Daily or Monthly Reimbursement Option. Part of the benefits could be considered taxable income if the benefits paid under this Rider are in excess of the per diem limit prescribed by law. Consult with a tax advisor for more information.

2. For NY policies, eligible services are reimbursed at up to 100% of the Facility Daily Benefit or Home Care Daily Benefit.

### **Restoration of Benefits** to help encourage recovery

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If a policyholder receives benefits and later recovers for at least six consecutive months, his or her full Lifetime Maximum Benefit will be restored. Unlike other insurers, Prudential offers this benefit even if the policyholder still has one deficiency in his/her Activities of Daily Living following recovery.<sup>1</sup>

### **Alternate Plan Of Care Feature** for new and emerging forms of care

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Care options for the treatment of chronic disability or illness may continue to expand in the future. That's why every LTC3 policy includes an Alternate Plan of Care feature that may cover new and emerging forms of care which don't become available until years after the policy is issued.<sup>2</sup>

### **Waiver of Premiums Benefit** to reduce the policyholder's burden at a time of need

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If a policyholder becomes eligible to receive benefits due to a chronic illness or disability, all premium payments will be waived starting immediately after the Calendar Day Elimination Period has passed. Premium payments will continue to be waived until the first day the chronic illness or disability ends.

### **Bed Reservation Benefit** to assist policyholders who temporarily leave a care facility

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If a policyholder residing in a long-term care facility needs to leave temporarily for a hospitalization or any other reason, the insured can continue to receive the Facility Daily Benefit to help cover the cost of keeping his/her bed available during this time.

### **Prudential Long-Term Care Resource Center** to help make the process of finding a quality provider easier

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Prudential can help policyholders learn about the care resources available in their communities. At no additional cost, the Prudential Long-Term Care Resource Center will:

- > Provide the policyholder with access to long-term care resources to help with his/her needs and preferences.
- > Prepare a customized information guide on long-term care providers and other resources, including information and profiles on facilities or agencies in the policyholder's area when available.
- > In some cases, Prudential can help save the policyholder money by providing information about valuable health-care provider discounts.

1. Restoration can occur only once per lifetime and is not available with the selection of the Unlimited Lifetime Maximum.

2. Future allowances for new or emerging forms of care may be made under Prudential's Alternate Plan of Care feature. Subject to Plan of Care requirements and qualification under federal tax regulations, Prudential will consider such services on a case-by-case basis.

## Program Design Options

You Prudential representative can explain how Prudential's program design options allow you to tailor a program based on the size of your company as well as your unique goals related to employee retention and potential tax savings.

## Participant Eligibility

Your Employer Sponsored Program (ESP) can offer long-term care insurance coverage, options and discounts to actively-at-work employees and their actively-at-work Spouses/Partners<sup>1</sup> aged 18–65, with simplified underwriting for eligible program participants.<sup>2</sup> Employees aged 66–79 and other family members may also be eligible for a discount but must be fully underwritten. Eligible family members include: Parents; Parents-in-law; Grandparents; Grandparents in-law; Siblings; Aunts; Uncles; and Children age 18 and older.

### For Employer Groups with 2 to 6 eligible employees:

- There is no minimum participation; the premium discount will be applied even if only one policy gets issued
- Full Underwriting only
- Direct Billing only

### For Employer Groups with 7 to 200 eligible employees:

- 7 or more Employees must be issued using Simplified Underwriting<sup>3</sup>
- Can include a Key Employee Carve-Out

### For Employer Groups with 201 or more eligible employees:

- 4% or more of eligible employees must be issued using Simplified Underwriting<sup>3</sup>
- Can include a Key Employee Carve-Out

1. Availability may vary by state.
2. Available for groups with 7 or more eligible employees when the employer pays the minimum premium requirement and employees and/or Spouses/Partners meet additional eligibility criteria as defined in Prudential's ESP Guidelines.
3. Policies issued to Spouses/Partners and other family members do not count toward this minimum.



## Benefit Plan Options with Simplified Underwriting include:

- Facility Daily Benefit: \$50 to \$300 (in \$10 increments)
- Home Care Daily Benefit: 50%, 75%, 100%, or 150% of Facility Daily Benefit
- Benefit Period: 2, 3, 4, 5, or 6 years
- Calendar Day Elimination Period: 60, 90, 120, 180, or 365 days
- Benefit Payment: Daily; Monthly Rider; Cash Rider; Flexible Cash Rider
- Inflation Protection Rider: None; Guaranteed Purchase Option; 3% Compound—No Maximum; 5% Compound—2X Maximum; 5% Compound—No Maximum

## Other Optional Riders include:

- Limited Payment<sup>1</sup>
  - > Paid Up at Age 65<sup>2</sup>
  - > 10 Year Paid Up<sup>3</sup>
  - > Premium Reduction at Age 65<sup>4</sup>
- Shared Care
- Return of Premium Upon Death
- Flexible Cash Benefit
- Non-forfeiture—Shortened Benefit Period
- Survivor Waiver of Premium

## Buy Up Options with Full Underwriting include:

- Facility Daily Benefit more than \$300
- Home Care Daily Benefit of 150% and Facility Daily Benefit of \$200+
- 30-Day Elimination Period
- Joint Waiver of Premium
- 10-Year Benefit Period
- Unlimited Benefit Period<sup>5</sup>

## Employer Payment Options include:

- 100% Employer Pay
- Partial Employer Pay
- 100% Employee Pay—Voluntary

## Billing Options include:

- List Billing
  - > Minimum of 7 lives required (Spouses/Partners can be included in this count)
  - > Monthly billing mode required
  - > Employer must create census and reconciliation files in “.xls” or “.csv” formats
- Direct Billing
  - > Monthly EFT
  - > Semi Annual
  - > Quarterly
  - > Annual

1. Availability may vary by state.

2. Paid Up at Age 65 not available to applicants age 55 and older.

3. 10 Year Paid Up: Client must be between ages of 40 and 75.

4. Premium Reduction at Age 65 not available to applicants age 60 and older.

5. Unlimited Benefit Period Buy Up Option is not available in combination with the Cash Benefit Option.

# Take the next step now...

Ask your licensed representative to prepare a proposal for your employer sponsored long-term care insurance program today.

## POLICY EXCLUSIONS

Benefits will not be payable if any of the following situations apply:\*

POLICY EXCLUSIONS MAY VARY BY STATE.

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.\*\*\*\*

\*Policy Exclusions based on charges for services or supplies do not apply to benefits paid under the Cash Benefit Rider, nor cash benefits paid under the Flexible Cash Benefit Rider or the Cash Alternative Benefit.

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

\*\*\*In North Carolina, treatment provided in a government facility (unless otherwise required by law). Services for which benefits are available under Medicare (unless otherwise required by law) or under any other governmental program (except Medicaid). Services or supplies for the treatment of an Occupational Injury or Sickness which are paid under the North Carolina Workers' Compensation Act only to the extent such services or supplies are the liability of the employee, employer or worker's compensation insurance carrier according to a final adjudication under the North Carolina Workers' Compensation Act or an order of the North Carolina Industrial Commission approving a settlement agreement under the North Carolina Workers' Compensation Act.

\*\*\*\*Does not apply to residents of North Carolina.

**ESP****EMPLOYER  
SPONSORED  
PROGRAM**

## Long-Term Care Insurance

LTC3<sup>SM</sup> Long-Term Care Insurance policy is issued by **The Prudential Insurance Company of America**, 751 Broad Street, Newark, NJ 07102 (800-732-0416). This coverage contains benefits, exclusions, limitations, eligibility requirements and specific terms and provisions under which the insurance coverage may be continued in force or discontinued. The Prudential Insurance Company of America is authorized to conduct business in all U.S. states and the District of Columbia. All insurance policies/options may not be available in your state. Coverage is issued under policy number GRP 113096 (In North Carolina, coverage is issued under policy number GRP 113640 and in Virginia coverage is issued under policy number GRP 113327); however, policy numbers may vary by state. The Prudential Insurance Company of America is a Prudential Financial company.

**Prudential and the Rock logo are registered service marks of The Prudential Insurance Company of America.**

This is a solicitation for long-term care insurance. An insurance agent may contact you.