Benefits Insights

Understanding the Importance of Long-term Care Insurance



The American workforce has gotten older, with people staying in school longer and others delaying retirement. According to the U.S. Department of Health and Human Services, nearly 70% of 65-year-olds will need long-term care (LTC) in their lifetimes. As such, LTC insurance has become a crucial component of financial planning, offering a safety net for individuals facing extended periods of health care and assistance needs. As the workforce ages, employers should recognize the importance of offering comprehensive benefits.

This article explores the significance of LTC insurance, outlines the potential benefits and drawbacks of offering such coverage as a sponsored benefit, and offers best practices for employers to consider when incorporating these policies within their voluntary benefits offerings.

Overview of LTC Insurance

LTC refers to a wide array of medical care, personal assistance and social support services for people who are physically or mentally unable to independently care for themselves for an extended period. This care can be provided in a nursing home, an assisted living facility or one's home. Individuals needing LTC usually require assistance performing basic activities for daily living or have severe cognitive impairment. Generally, the conditions that necessitate LTC are caused by accidents, illnesses or advanced age.

Unfortunately, LTC often carries substantial costs. That's where LTC insurance can help. Such coverage can protect individuals against incurring large out-of-pocket expenses for LTC in the future through affordable monthly premiums now. There are two different types of LTC insurance policies available, including the following:

- Individual LTC insurance
- Group LTC insurance

Individual policies are generally purchased by people whose employers do not offer group policies, or by those who feel they need to supplement their employer-provided policies to obtain the most coverage possible. On the other hand, some employers and associations offer LTC insurance to employees in the form of group policies. In these cases, such coverage may not offer the same level of protection afforded by individual policies. Before purchasing group policies, comparing the level of protection offered and the level of protection guaranteed in comparable individual policies is wise. LTC insurance policies should also clearly state whether they are individual or group policies.

Pros and Cons of LTC Insurance

More employers are expanding their voluntary benefits offerings, including LTC insurance. This coverage augments a medical plan and helps protect employees' retirement savings. Employers can offer LTC insurance to their employees as a voluntary benefit, allowing them to choose to enroll in the plan and pay the premiums themselves. Alternatively, some employers may contribute to the cost of LTC insurance premiums as part of their benefits packages.

If employers are considering offering LTC insurance as a sponsored benefit, they may start by weighing the pros and cons of doing so. Employee benefits have the potential to impact staff attraction, retention and well-being. As the workforce ages, employees are placing greater importance on benefits that address long-term health and financial security.

Specific advantages of providing LTC insurance as a sponsored benefit include the following:

- **Financial security**—LTC insurance can help protect employees' assets and savings from being depleted by the high cost of extended health care services. This financial security can contribute to a more stable and engaged workforce.

- **Tax advantages**—In some cases, both employers and employees may benefit from tax advantages associated with LTC insurance premiums. Employers should explore these potential tax incentives to make the benefit even more attractive.
- **Workforce support**—With many employees delaying retirement, employers are faced with an aging workforce. LTC insurance can be a proactive solution for companies looking to support the changing needs of their employees and foster a culture of care and concern.

There are also potential drawbacks of offering LTC insurance as a sponsored benefit, such as the following:

- **Cost concerns**—One of the primary drawbacks for employers may be the cost associated with offering LTC insurance. Striking a balance between providing valuable benefits and managing expenses is crucial. Employers should assess their budgetary constraints and explore different insurance options for the most cost-effective solution.
- **Employee misunderstanding**—LTC insurance can be complex, and employees may not fully understand its importance. Employers should invest in educational resources and communication strategies to ensure employees grasp the value of this benefit.

Employer Best Practices

When providing LTC insurance as a sponsored benefit, employers should note that employee education is critical. Simply offering LTC insurance as a voluntary benefit isn't enough to encourage employee enrollment. Benefits, and insurance policies especially, are complex and require some education so employees can better understand these offerings and determine which ones are a good fit for their lives and budgets.

Here are some additional strategies for employers to consider when adding LTC insurance to their benefits offerings:

- **Switch to off-cycle enrollment.** LTC insurance is complex, so off-cycle enrollment (outside the annual open enrollment period) can give employees more time to review this benefit and understand how it could meet their health care and financial needs.
- **Offer educational opportunities.** When employees understand the risks associated with LTC, they may be more willing to start planning for this care and purchase coverage at a younger age. Educational workshops, seminars, team lunches and emails can help educate employees about the significance of LTC insurance. Bringing in insurance experts to explain the intricacies of this coverage and answer employees' questions can demystify the process.
- **Personalize the experience.** Personalized consultations with insurance representatives can help employees make informed benefits decisions based on their unique needs. A one-on-one approach can address specific concerns and boost employee confidence in chosen coverage offerings.
- **Communicate clearly.** Employers should provide clear and concise communication materials, including brochures, FAQs and online resources, to help employees understand the key features and benefits of LTC insurance.

Employers should keep in mind that some states have begun mandating LTC insurance, so it's best to consult with legal counsel before making any benefits changes.

Summary

Employers have an opportunity to make benefits offerings convenient and economical for their employees, and that includes offering LTC insurance as a voluntary benefit. LTC insurance can provide employees with a sense of security, knowing that they have a financial cushion in place should they require extended medical care. This can contribute to reduced stress levels and improved overall well-being, positively impacting productivity and job satisfaction. However, group LTC insurance, like any type of offered benefit, may not be the right choice for all employers.

Contact us for more information about LTC insurance.

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