Benefits

Long-Term Care As An Employee Benefit

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An aging population and changing employee demographics continue to have an effect on how employers manage benefit offerings. Whether for themselves or for aging parents, employees have shown a slow but growing interest in long-term care insurance coverage. As a result, a growing number of employers have begun offering long-term care coverage as a voluntary benefit that often provides more advantageous group underwriting and rates than individuals can get on their own.

According to the 2008 National Compensation Survey conducted by the U.S. Department of Labor's Bureau of Labor Statistics, the percentage of workers in private industry with access to long-term care insurance through their employers has doubled since 1999, from 6 percent to 12 percent. However, this coverage is much more prevalent among companies with 100 or more employees. Currently, 20 percent of workers have access to long-term care insurance.

However, interest in long-term care insurance does not always translate into action. "Employers can't expect huge enrollment," says Jack Burke, benefits director at Boston College in Chestnut Hill, Mass. "It will not appeal to everyone. The question is, do you get enough inquiries to justify offering it?" Burke estimates that 11 percent of Boston College's 2,000 employees purchase the coverage.

There are several reasons why employees fail to follow through. For one thing, this coverage is expensive. Because these benefits are voluntary, employees pay all or most of the premiums. Another barrier: People don't want to consider the possibility that they or one of their loved ones might require longterm care.

"This is one benefit that you hope you never have to use," says Jennifer C. Loftus, SPHR, national director at Astron Solutions, an HR consultancy based in New York. Loftus's firm has been offering long-term care insurance to its 11 employees for two years. "Emphasize that employees have a responsibility to think about this possibility from a financial planning perspective," she advises.

The current economic environment could make employees more open to this coverage, says Jim Glickman, a member of the board of directors of the Society of Actuaries and president and chief executive officer of LifeCare Assurance Co. in Woodland Hills, Calif.

Selecting a Carrier And Plan

Because many employees will be purchasing coverage when they are young and healthy, it is essential that the chosen carrier have certain attributes.

Judge whether the carrier will be in it for the long haul, not necessarily who is offering the cheapest plan, says Burke.

Glickman recommends focusing on carriers that rely on an underwriting-driven approach to issuing policies rather than a marketing-driven approach that focuses on signing up many people.

"Consider plan design, pricing, quality of operations, financial stability and a demonstrated commitment to offering the coverage," says Frank J. Fimmano, senior vice president with Aon Consulting in New York. Consider what is being offered relative to the cost. For example, it is important that a plan have some sort of inflation adjustment built in so that benefits keep pace with health care inflation.

Because long-term care insurance is a relatively unfamiliar benefit program, it will be up to HR executives to communicate these plans. And, employers walk a fine line: "We are careful to make sure we do not try to sell it," says Burke.

From the employer's point of view, long-term care insurance as a voluntary benefit is a relatively low-cost way to send a powerful message to employees that the organization cares about them and their future security.