SOCIETY OF ACTUARIES

Article from:

Long-Term Care

April 2001 – Number 4

Changes in Employer Market Impact Group for Long-Term-Care Insurance Marketing

by John O'Leary

Dynamic change is happening at workplaces across the nation, and it is already dramatically impacting the marketplace for group insurance—how it is being offered, installed and administered.

This change is occurring as employers struggle to meet the demands of Wall Street for improved earnings, greater efficiency, and sharpened corporate focus. And it represents significant challenges for marketers of group long-term-care insurance (LTCI), already a difficult selling proposition for many. At the same time, this change represents opportunity for those companies who can understand and react appropriately to it.

The changes can be categorized into three broad trends:

1) A greater emphasis by employers on core competencies, along with a reduction in emphasis on "non-core" functions. Once considered central to the mission of a successful company, employee benefits are now being viewed as "non-core" by many employers. More and more employers are outsourcing some or all of their employee benefits functions. And increasingly, companies are following models like Cisco Systems who are using an externally managed Internet Portal provider to offer workplace benefits to their employees.

2) The redefined relationship between employers and employees. Perhaps the best way to categorize that relationship today is "arms length." The "supportive paternalism" that once categorized companies like IBM has been replaced with an employee self-service approach. Employees are expected to choose and manage their own benefits with a minimum of help from their employer. The employer role with regard to benefits is less a gatekeeper, advocate, and endorser and more of an access provider.

3) The dramatic emergence of Internet technology and its application as a benefits management tool for employers and employees. More and more companies are providing desktop access to the Internet for their employees. The Internet is on the verge of becoming the most viable way to communicate with employees because of its advantages in cost, interactive capability and, most important, its ability to enable transactions when and where employees want them.

A recent Forrester Research study indicates just how fast the Internet is taking hold. The study suggests that by 2002, 86% of employers will be using the Internet in some way to help manage their benefit programs, and that nearly 4 in 10 will be using the Internet to actually purchase and install employee benefits. Beyond that, the study points out the emergence, in the near future, of "e-desktop marketplaces" for employees. There, employees will be able to access choices for their traditional em-ployee benefits, as well as additional services — including financial and legal counseling, concierge services, travel services, discounts on books and CDs, and much more.

The key question: How are these trends going to impact the market for employer-sponsored LTCI and how should the industry respond?

The current state of the market for employer-sponsored LTCI is certainly very encouraging. Passage of the bill authorizing group LTCI for over 15 million federal employees and their families, pending legislation which would provide an above-the-line credit for LTCI premiums, and continued explosive market growth are all very positive signs. Beyond that, employees have long indicated a preference for purchasing LTCI at the workplace.

Unfortunately, however, that optimism can be deceiving. LTCI has yet to become a high priority issue for *employers.* The above referenced Forrester study indicates that the rising cost of health insurance continues to dominate employer attention. And, given the trends toward outsourcing benefits,

and a more "arms length" employer/ employee relationship, it is unlikely that employers will move LTCI higher on their benefits priority ladder. In fact, if anything, a more "hands off" approach for LTCI would seem more likely, given the limited availability of benefits resources in the new "non-core" environment.

That presents particular problems for LTCI, given that proactive employer support and endorsement has been shown to be one of the most important determinants of successful group LTCI programs. So, without a high level of support and endorsement, how will LTCI fare at the workplace?

The trend toward more Internet use also poses challenges. The educational and interactive nature of the Internet is a strong fit with the need to educate people about LTCI. However, the challenge is how to position an already difficult-to-understand benefit so it not only stands out, but appeals to employees in this emerging "e- desktop" environment.

While the answers are far from clear, here are some approaches worth consideration:

product benefits. A greater emphasis on understanding and explaining the consumer benefits of owning a LTCI policy in simple consumer language will be a requirement to compete in the emerging employer marketplace.

- **"Sell itself" product designs**
In the battle for discretionary employee dollars, benefit dollars are going to be in open competition, not just with other benefits, but with other services available to the employee. The industry needs to come up with product offerings that are compelling enough to literally "sell themselves" without a lot of explanation. The need for these product designs is there, and it will be growing. It just hasn't been tapped yet.

- **Compelling "dollars and sense" arguments**
For anyone who has faced a long-term-care situation with a family member or friend, the rationale for product purchase is obvious. But for the many millions more who either haven't been in that situation, or who are struggling

marketing, or all three, a more compelling financial case for the product needs to be made. The success of voluntary retirement plans like 401k's is a good starting place.

The employer market represents the greatest opportunity to efficiently expand LTCI coverage in the market today. But accessing that opportunity will require understanding and creativity across a host of marketing and product design issues.

John O'Leary is a consultant in long-term-care insurance, specializing in marketing, product development, and use of the Internet. He can be reached at **cjmjoleary@cs.com.**

> *"The trend toward more Internet use also poses challenges. The educational and interactive nature of the Internet is a strong fit with the need to educate people about LTCI. However, the challenge is how to position an already difficult-to-understand benefit so it not only stands out, but appeals to employees in this emerging 'e-desktop' environment."*

- **"Simpler is better" marketing**
Industry marketing to date has been overly complicated, in part because of the perceived need of competitors to emphasize a plethora of product features over

with other financial priorities like their children's education, LTCI is anything but a "no brainer." Whether through more creative product design, improved tax treatment, better