

# Who Buys Long-Term Care Insurance in the Workplace?

## *A Study of Employer Long-Term Care Insurance Plans 2000-2001*

### Executive Summary

The purpose of this study is to provide new information about the people who choose to enroll or not to enroll in group long-term care insurance plans through work. We seek to understand what motivates employees to make this choice, to understand their attitudes toward long-term care, insurance and retirement, and to compare certain findings to the general population of working individuals age 30 and over. Where appropriate, we also make comparisons with findings about the individual market as reported in “Who Buys Long-Term Care Insurance in 2000? A Decade of Study of Buyers and NonBuyers.” Five insurance companies representing a large share of the employer group market participated in the study by soliciting the cooperation of nine employer groups of varying size and type. An enrolled individual was defined as an employee who had enrolled in his or her employer sponsored long-term care plan and was considered by the insurance company to be enrolled at the time the sample was drawn. A non-enrolled individual was defined as an active employee who had requested an enrollment package but had not subsequently enrolled in the plan. In total, companies contributed a sample of 1,018 enrolled employees, 315 non-enrolled employees, and policy design information on 3,712 policies. In addition, 500 employed individuals aged 30 and over were surveyed from the general population.

### FINDINGS

#### *Sociodemographic Characteristics*

- Enrolled employees are slightly older, have higher incomes and more assets than non-enrolled employees. They are also more likely to be college educated. There is little difference between enrolled and non-enrolled employees with respect to gender and marital status
- As was true among buyers and nonbuyers in the individual market, both enrolled and non-enrolled survey respondents are older, more affluent and more highly educated than their counterparts in the general working-age population.
- The percent of individuals with incomes over \$50,000 is much higher among the employer group enrollees (82%) than among individual buyers (42%). Given their age difference and the fact that only 35% of individual market buyers were employed, this is not surprising. In contrast, individual market buyers have slightly higher assets compared to the group market enrollees. This is likely due to the fact that the working age population is still in the process of accumulating assets while retirees and older individual policyholders are more likely to have accumulated greater assets.

### *Opinions about Long-Term Care Financing*

- There are important attitudinal differences between the enrolled and non-enrolled groups. Enrolled employees are more likely to agree that it is important to plan now for future long-term care needs and only about half as likely to believe that the government would finance most of the cost of care if it were needed. These same attitudinal differences are seen for buyers and nonbuyers in the individual market.
- Those who are not enrolled in the long-term care plan are more worried about how they will pay for care in the future.

### *Attitudes Toward Risk and Payment of Long-Term Care Services*

- Enrolled employees believe that they face a greater risk for needing long-term care services than do the non-enrolled.
- Surveyed workers in the general population assess their lifetime risk of needing care as lower than enrolled employees and for the most part, lower than the non-enrolled employees as well.
- Non-enrolled employees are more likely than enrolled employees to believe they can rely on some other form of health insurance to pay for long-term care services if they needed them for six months or more – 20% compared to 14%. Surveyed workers in the general population were the most likely of all to believe they would be able to rely on other health insurance (39%).
- Enrolled and non-enrolled employees were relatively well-informed regarding long-term care coverage from public programs. Less than one-in-five believe that they could rely on Medicare or Medicaid to pay for their long-term care services.

### *Group Market Long-Term Care Insurance Policy Designs*

- The vast majority of policies for the group market sample are comprehensive and integrated. This means that they cover both nursing home and home care services and there is one pool of money that serves as the cap or maximum total benefit amount payable under the policy regardless of what type of qualified services are used.
- Almost all of the group policies in this sample pay on a reimbursement basis, meaning the insurance company will reimburse the cost of covered services for qualified claimants up to the chosen daily benefit amount.
- The average nursing home daily benefit is \$124 – about 1.5 times greater than that for home care (\$79). Home care daily benefit amounts are typically chosen (either by the employer or the employee) as a percentage of the nursing home daily benefit amount.

Here, the average home care daily benefit is about 60% of the nursing home daily benefit.

- Eighty-eight percent of the group policies include some type of inflation protection provisions; half are compound protection and the other half offer benefit increase options at predetermined intervals.
- The average premium for a long-term care policy in the group market is less than half that of the individual market – \$722 compared to \$ 1,677.

#### *Understanding the Decision to Enroll or Not to Enroll*

- Employees who chose to enroll in the plan were more likely to discuss the purchase decision with others than non-enrollees. Employees were most likely to discuss the purchase with a spouse or co-worker. Among enrollees and non-enrollees who indicated that another person had influenced their decision to participate or not in their plan, most of both groups said their spouses were the most influential
- Employees are using long-term care insurance to meet multiple objectives much like new buyers in the individual market. One in four employees say that protecting their assets or leaving an estate is the most important reason for their enrollment in the long-term care insurance plan. This compares to one-in-three in the individual market. About one in five indicate that preserving financial independence, and guaranteeing the affordability of needed services are the most important reasons for enrolling.
- Almost 40% of employees enrolled in LTC plans are not aware of the product's tax advantages. However, when looking at specific reasons that are important in the decision to enroll, among those employees who are aware of tax incentives for the purchase of long-term care insurance, about half indicate that it is important in their decision to enroll in their company plan.
- The purchase of insurance provides tremendous psychological benefits, most of which are related to enhancing their feelings of security. Almost all respondents felt that having the insurance made them feel more secure about their future, better about the way they planned to secure that future, and that they had taken appropriate steps to protect their spouse.
- Non-enrolled employees in this sample – much like nonbuyers in the individual market – overwhelmingly cite the cost of long-term care insurance as the most important barrier to enrollment.
- Three out of five respondents indicate that confusion about which policy is right for them was an important factor in their decision not to enroll.

- When asked about all the factors that would make non-enrolled employees much more interested in enrolling in their company long-term care plan, over two-thirds of the respondents (67%) said that an employer contribution to the policy premium would make them more interested in enrolling. Another important factor (cited by 59% of respondents) was the option to deduct premium costs from income tax.
- When asked specifically which one factor would make them most interested in enrolling in a long-term care plan, over one-third of non-enrolled employees indicate that an above the line tax deduction, that is, tax incentives for the purchase of long-term care insurance regardless of whether people itemize or not would make them most interested in enrolling in a long-term care plan.
- When asked if non-enrollees plan to enroll in a group plan or buy a long-term care insurance policy at some time in the future, 50% of them indicated that they would do so.
- Between 17% and 47% of non-enrolled employees are willing to pay the associated age-adjusted premium for a policy that meets their needs.

#### *Attitudes Toward Government and Private Sector Roles in Financing Long-Term Care*

- Enrolled employees are less likely to believe that it is the federal government's responsibility to finance long-term care, however, the majority of both enrolled and non-enrolled employees, as well as those employed individuals surveyed from the general population do not believe the government should or will pay for long-term care services.
- Enrolled employees are twice as likely as both non-enrolled employees and respondents in the general population to agree that private insurance companies provide products that are a good value for the money.
- When asked about the single most important action the government should take in the area of long-term care, the most common action cited by enrolled and non-enrolled survey respondents, as well as surveyed workers in the general population is to offer more tax incentives for the purchase of private insurance.

While cost remains a significant enrollment barrier, it is important to note that enrolled employees appear to view an investment in long-term care insurance as a long-range proposition. However, to make such a commitment requires a great deal of knowledge and education about long-term care in general and insurance in particular, as well as confidence in the insurance company and long-term care product. For their part, employers and consumer organizations should continue to provide education and information to younger working-age individuals so that these individuals will begin to shift their mindset toward planning for events that may seem unlikely or far-off in the future. At the same time, continuing to develop and market policies that can keep pace with the rapidly changing service delivery environment is an important challenge for

insurance companies. Only when such actions occur at both the consumer level and the producer level will greater numbers of working-age individuals consider and enroll in long-term care insurance programs through their employer.

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