



LONG-TERM CARE INSURANCE

A Companion Report to the
Study of Employee Benefits:
2009 & Beyond

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This companion report to the **Study of Employee Benefits: 2009 & Beyond** from The Prudential Insurance Company of America provides quick access to the most salient findings as related to one of the main report's key themes: "Long-Term Care Insurance." This theme focuses on the need to help employees learn about and plan for long-term care services.

One in Two U.S. Workers Has Some Experience, Directly or Indirectly, With Long-Term Caregiving

As the U.S. population ages (and lives longer), the need for long-term care services is expected to grow rapidly. Many people who lack the funds to pay for their care are turning to loved ones, friends, and relatives for assistance.

Just over half (51%) of workers surveyed in 2009 indicate that they (or their spouse) have provided daily care and/or they personally know someone who provided care to a relative for an extended period of time due to an injury, mental or physical illness, or old age.

One in six workers has direct experience with long-term care; 17% of those surveyed say they personally have provided care for a family member or relative. Another 46% know someone who has been a caregiver (12% have both direct and indirect experience with caregiving).

In General, Workers With Caregiving Experience Place Greater Value on Long-Term Care Insurance and Employee Benefits

Not surprisingly, those who have either direct or indirect experience with caregiving are more concerned about financial security and health insurance issues compared with those with no experience.

IMPORTANCE OF EMPLOYEE FINANCIAL/LIFESTYLE CONCERNS BY CAREGIVING EXPERIENCE

PERCENTAGE OF PLAN PARTICIPANTS RATING "HIGHLY IMPORTANT"

	No Caregiving Experience	Caregiving Experience	Difference
Having appropriate health insurance	76%	83%	+7
Having your retirement savings last as long as you need it	68%	75%	+7
Having financial security if a wage earner can no longer work due to a disability or serious illness	64%	74%	+10
Reducing your stress level and improving emotional well-being	61%	70%	+9
Achieving a better work/life balance	53%	63%	+10
Having financial security in the event of a premature death	51%	59%	+8
Having to provide for own/spouse's long-term care needs	49%	57%	+8
Finding a trusted source to provide financial advice	24%	33%	+9

The typical caregiver is a woman in her late 40s who works outside the home and provides unpaid care to her mother for more than 20 hours per week.* As such, women are more likely than men to own long-term care insurance (54% vs. 45%), yet less likely think they will need long-term care services in the future (36% vs. 25%).

*Source: "AARP: Valuing the Invaluable: The Economic Value of Family Caregiving, 2008 Update."



LONG-TERM CARE ATTITUDES AND EXPERIENCE — MEN VS. WOMEN

PERCENTAGE OF PLAN PARTICIPANTS

	Women	Men
Knows someone who provided daily care	51%	43%
Caregiving has significantly impacted attendance at work	21%	20%
Owns long-term care insurance	54%	45%
Doesn't have a plan/doesn't expect to need long-term care services	36%	25%

Ownership of Long-Term Care Insurance Among U.S. Workers Has Not Kept Pace With Increases in Concern and Need; Access to Coverage and Misperceptions About Cost of Care Are Barriers

Despite concern about future long-term care needs, workers are not signing up for group long-term care insurance in great numbers. While 53%, on average, are highly concerned about providing for their/their spouse's future long-term care needs, only 8% say they currently participate in a group long-term care plan when one is available through their employer. Moreover, just 5% have purchased long-term care insurance outside the workplace.

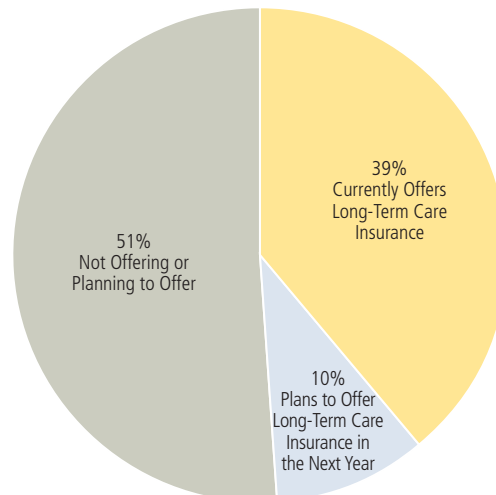
- However, among those who are most concerned about future long-term care expenses, 38% have enrolled in the group long-term plan made available by their employer—much higher than average.

The number of plan sponsors making long-term care insurance available to their employees has been flat and is not likely to grow soon.

- Most plan sponsors offering long-term care insurance plan to continue offering it next year. But only one in ten plan sponsors who are who are not currently offering long-term care insurance expect to introduce a new long-term care program in the next year or so.
- Brokers and consultants believe that long-term care insurance is a highly specialized benefit. Consequently, only about half of brokers and consultants (52%) surveyed say they sell and/or service group long-term care insurance.

PLAN SPONSOR MARKET FOR GROUP LONG-TERM CARE INSURANCE

PERCENTAGE OF PLAN SPONSORS



*Source: "AARP: Valuing the Invaluable: The Economic Value of Family Caregiving, 2008 Update."



Caregiving Impacts Workers' Productivity and the Hidden Costs to Plan Sponsors Can Be Substantial

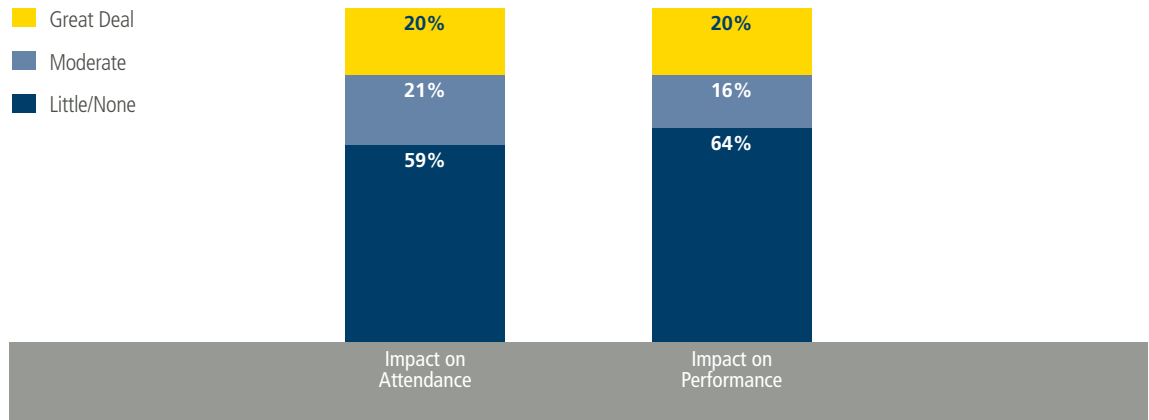
When workers are managing care for a family member, employers often shoulder the costs associated with absenteeism and lower productivity. Many of these costs are unquantifiable; however, a recent study by CCH* reported that the cost to the nation's largest employers (i.e., Fortune 500 companies) of unscheduled absences is approximately \$760,000 per year in direct payroll costs and even more when factoring in lower productivity, lost revenue, and the effects of decreased morale.

In addition, two-thirds of the absences reported are for reasons other than an employee illness, including caring for a relative or friend.

Taking a family member to a doctor's appointment or managing his or her condition in the middle of the night can take a toll on plan participants and eventually on their performance. Among workers who have (or their spouse has) provided care, one in five say the caregiving responsibilities has negatively affected their attendance and performance at work.

SELF-REPORTED IMPACT OF CAREGIVING ON WORK ATTENDANCE/PERFORMANCE

PERCENTAGE OF PLAN PARTICIPANTS WHO HAVE PROVIDED DAILY CARE FOR AN EXTENDED PERIOD



More Education Is Needed to Help Workers Understand the Importance of Planning Ahead to Meet Their Future Long-Term Care Needs

The average cost of care in a nursing facility in 2008 was approximately \$70,000 per year according to the Prudential-sponsored 2008 Long-Term Care Cost Study. Additionally, care provided to those age 50 or older cost caregivers an average of \$5,531 in out-of-pocket expenses. The amount increased to over \$8,000 when the caregiver lived a long distance from the person receiving care.*

According to U.S. government statistics, about 60% of Americans who reach age 65 will require some form of extended care in their lifetime. And the likelihood increases with age—by age 85, chances of living in a nursing home are one in four, with an average stay of about two and a half years. Despite the fact that many U.S. workers will eventually need some form of long-term care, almost one-third say they either do not expect to require care for an extended period or they simply do not have a plan for funding their future long-term care needs.

The impact of market volatility on retirement savings can further erode the dollars available to fund long-term care should the need arise. The recent downturn in the financial markets certainly underscores the risk of planning to use retirement or other personal savings to pay for future long-term care needs. Yet, nearly half of workers surveyed expect to use their 401(k) or other retirement savings as the means of paying for any future extended care services; another one-third plan to tap personal savings.

Another misperception is the role of Medicare in funding long-term care expenses. More than a third of those surveyed believe that Medicare will pay for their extended care expenses, but they don't realize that Medicare only covers a small percentage of all long-term care costs and excludes most custodial care services.

While some workers seem to understand the value of long-term care insurance, most have misperceptions about the actual cost of care and their chances of needing care for an extended period.

PLAN FOR FUNDING LONG-TERM CARE NEEDS OF SELF AND/OR SPOUSE

PERCENTAGE OF PLAN PARTICIPANTS

	Total	No Caregiving Experience	Caregiving Experience	Difference
401(k)/retirement savings	47%	47%	47%	0
Medicare	37%	32%	42%	+10
Personal savings/assets	33%	31%	35%	+4
Medicaid	23%	20%	26%	+6
Long-term care insurance	23%	17%	28%	+11
No plan/don't expect to need long-term care services	30%	32%	28%	-4





The **Study of Employee Benefits: 2009 & Beyond** delves into a wide range of topics to uncover important trends in the marketplace and reveal top concerns of employers, employees, and brokers/consultants regarding benefits. This study contains significant—and often surprising—findings about the emerging issues and trends we believe will shape the delivery of employee benefits programs now and in the future. We hope this research gives you new insight into the benefits landscape and proves to be a useful tool as you plan your benefits strategies.

The research for **Study of Employee Benefits: 2009 & Beyond** was conducted via the Internet during April and May of 2009 and consisted of three distinct surveys:

- One among 1,207 benefits decision-makers
- One among 1,212 full-time employees, age 22 or older, who work for a company with at least 50 benefits-eligible employees
- One among 573 group employee broker/consultants who work full time for a company with at least 50 employees

The surveys were conducted for Prudential by the Center for Strategy Research, Inc., a Boston-based, independent, market research firm.

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