

Research Brief: Group Long-Term Care Insurance

Addendum to The Study of Employee Benefits: 2008 & Beyond



The **Study of Employee Benefits: 2008 & Beyond** from The Prudential Insurance Company of America delves into a wide range of topics to uncover important trends in the marketplace and reveal top concerns of employers and employees 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.

The research for Study of Employee Benefits: 2008 & Beyond was conducted via the Internet in May 2008 and consisted of two distinct surveys: one among 1,729 benefits decision-makers and the other among 1,820 full-time employees, age 18 or older, who work for a company with at least 50 benefits-eligible employees.

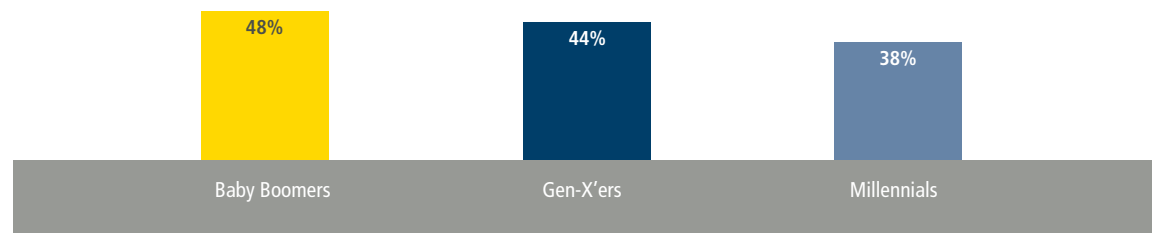
While compiling this data, we saw significant trends specific to group long-term care (LTC) insurance that deserve a closer look. This special addendum to the report highlights those findings to give you a deeper understanding of what drives LTC insurance decisions among employers and employees.

Providing for Personal Long-Term Care Needs Is an Important and Growing Concern Among Many U.S. Workers.

- In 2008, 71% of workers surveyed feel that long-term care needs are important, and 44% say they are “highly important”—a 4% increase from 2007.
- Despite its increasing importance, workers continue to rank long-term care needs lower than other financial and lifestyle concerns, such as having adequate medical insurance and being financially prepared for retirement.
 - As might be expected, workers’ long-term care concerns, for either themselves or a spouse, become increasingly important with age. Baby Boomers, many of whom are providing care for their elderly parents and their children, are more concerned about long-term care compared to Gen-X’ers and Millennials.¹

HAVING TO PROVIDE FOR LONG-TERM CARE NEEDS

PERCENTAGE OF EMPLOYEES RATING ITEM “HIGHLY IMPORTANT”



Plan Sponsors Increasingly Recognize the Importance of LTC Insurance Given U.S. Demographic Trends.

- More than one in four (28%) plan sponsors surveyed offer LTC insurance to their employees as a voluntary benefit. This is a 12% increase from just a few years ago.
 - Plan sponsors servicing the Public Administration, Education, Financial Services, and Health Care industries are the most likely to offer voluntary LTC insurance plans to their employees.
 - Public companies are more likely than private firms to offer LTC insurance as a voluntary benefit. In fact, most of the recent growth in employers offering LTC insurance plans is centered in the Public Administration sectors.

- Large plan sponsors (>25,000 employees) are more likely than small firms (50–99 employees) to offer voluntary LTC insurance.

COMPANIES OFFERING VOLUNTARY LTC INSURANCE PLANS BY INDUSTRY

Industry	Percentage of Plan Sponsors
Public Administration	51%
Education	38%
Finance/Insurance	38%
Health Care	33%
Retail Trade	31%
Information	30%
Professional Services	30%
Arts/Entertainment/Recreation	30%
Other Services	29%
Manufacturing	24%
Construction	22%
Real Estate	21%
Wholesale Trade	18%
Accommodation Services	17%
Transportation/Warehousing	16%

Most Employees Are More Likely to Spend Discretionary Benefits Dollars on Medical or Retirement Plans, than on LTC Insurance.

- When asked to allocate a hypothetical \$100 across seven financial workplace benefits, employees allocated less than \$7 towards LTC insurance. Not only does LTC insurance rank among the lowest of the seven benefits based on dollars allocated, but the amount of money workers would contribute towards LTC declined from 2007 survey results.
 - Employees most likely to contribute higher levels of discretionary benefits dollars toward LTC insurance are:
 - Working in the Services (\$10.11), Wholesale Trade (\$9.37), or Retail Trade (\$8.38) industries
 - Within 10 years of retirement (\$9.62)
 - Working in a larger company (10,000–25,000 employees) (\$8.27)
 - Baby Boomers (\$8.13)
 - African-American workers (\$7.94)
 - Recently married (in the past 18 months) (\$7.29)





- About four in ten (39%) employees surveyed would not put any additional dollars towards LTC insurance benefits.
 - Employees who would not contribute any additional discretionary dollars towards LTC insurance are:
 - Working in Finance (51%)
 - Recent home buyers (in past 18 months) (51%)
 - Single (i.e., never married) (48%)
 - High-income earners (averaging \$150,000+ annual household income) (47%)
 - New to their jobs (started in the past 18 months) (46%)
 - Working in a relatively small company (50–499 employees) (44%)
 - Gen-X’ers and Millennials (both 44%)

HOW PLAN PARTICIPANTS WOULD ALLOCATE \$100 FOR EMPLOYEE BENEFITS (MEAN SCORE)

Employee Benefit	Dollars Allocated 2007	Dollars Allocated 2008	2007 vs. 2008 Change
Retirement	\$49.75	\$40.63	- \$9.12
Medical	\$19.49	\$21.21	+ \$1.72
Dental	\$7.53	\$9.04	+ \$1.51
Life Insurance	\$6.26	\$8.33	+ \$2.07
Disability Insurance	\$4.84	\$7.01	+ \$2.17
LTC Insurance	\$7.50	\$6.93	- \$0.57
Vision	\$4.63	\$6.85	+ \$2.22

U.S. Workers Have Misperceptions About the Costs Associated With Long-Term Care.

- Benefits departments across the country are admittedly spending little time and money to help their employees better understand the expenses associated with long-term care and the various long-term care funding options. Only about one in five plan sponsors say they expect to be doing a great deal by 2012 to help their employees with long-term care needs.
- Perceptions about long-term care costs vary among workers. More than 80% of those surveyed are unable to correctly identify the average annual national cost for a semi-private room in a nursing home, which is \$70,810.²
- Furthermore, more than two-thirds of workers surveyed overestimate the national average cost of a long-term care policy for a typical 45-year-old.
 - Women (18%) and Asian workers (25%) are more likely than others to believe that \$3,000 is the national average cost of an LTC insurance policy for a typical 45-year-old.
 - Regardless of age, income, or education, no differences exist in the percentage of workers accurately estimating the national average cost of LTC insurance. However, those with less than a college education and those earning less than \$75,000 in annual household income are most likely to underestimate the national average nursing home costs.
 - Surprisingly, those nearest to retirement (within five years before/after) are the most likely to underestimate average annual nursing home costs—39% believe that the average cost for a semi-private room is \$60,000 or less.

PERCEPTIONS REGARDING LONG-TERM CARE COSTS

National Average Annual Cost for Semi-Private Room in Nursing Home	Percentage of Workers	National Average Annual Cost for Long-Term Care Policy	Percentage of Workers
\$50,000	14%	\$500	17%
\$60,000	18%	\$800	17%
\$70,000	16%	\$1,000	21%
\$80,000	15%	\$1,500	19%
\$90,000	10%	\$2,000	12%
\$100,000	15%	\$3,000	14%
\$110,000	12%		

Summary

- Providing for personal long-term care needs, or those of a spouse or relative, is a growing concern among workers. Given the country's aging population, this concern will grow over the next five years.
- Middle-aged workers are faced with higher out-of-pocket costs for group medical coverage and the need to be saving more for retirement. Consequently, these more immediate financial pressures overshadow concerns about long-term care.
- Many workers underestimate the likelihood of requiring in-home or assisted-living care for themselves or their spouses. Most also underestimate the actual costs associated with nursing home care while overestimating the cost of an LTC insurance policy as a means of funding long-term care needs.
- Workers, especially those aged 40 to 60, should be better informed about the potential impact of long-term care expenses on their financial futures. More should consider long-term care when doing their retirement and estate planning. Employers that make LTC insurance plans available to their work force can assist by providing more effective communication and educational support during open enrollment periods.

¹Baby Boomers are those age 44 to 62 as of 2008; Gen-X'ers are those age 29 to 43 as of 2008; Millennials are those under age 29 as of 2008.

²Prudential's 2008 Long-Term Care Cost Study.

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