

# Adding long-term care insurance to your benefits doesn't have to be complicated

## The case for LTC insurance

70%

Employees aged 65 years and older will need LTC assistance

4 in 5

Employees prefer to purchase LTC through their employer

>\$108k

Average cost for private room in nursing home

## The situation

The state of Washington recently became the first U.S. state to implement a public long-term care (LTC) trust for residents, known as the WA Cares Fund. The WA Cares program is funded by a payroll tax of \$.58 per \$100 of annual income (with no cap), to be deducted from payroll and remitted quarterly by employers, starting July 1, 2023. The maximum lifetime benefit is \$36,500.

A key point of legislation allows employees to “opt-out” of the payroll tax only if they own private LTC insurance. The legislature imposed a deadline of November 1, 2021 for opting out.

Our client with 28,000 employees wanted to offer a competitive long-term care option to support financial wellbeing while providing a competitive alternative for employees living in Washington or other states considering a payroll tax in the future.

## Supporting broad HR priorities

While the WA Cares Fund is an important initiative, the current maximum lifetime benefit (\$36,500) will fall woefully short of covering actual long-term care costs. Analysis shows employer-sponsored long-term care is considerably more affordable and more robust than the WA Cares Fund.

Our client wanted to offer a competitive alternative to the payroll tax and also support broader HR priorities to:

- Boost financial wellbeing and help employees protect their retirement savings
- Support DE&I by offering gender neutral rates (Women typically pay 20% - 40% more than men for equivalent private LTC insurance since they have a longer life expectancy.)
- Help attract and retain employees as research shows 4 out of 5 employees want to purchase LTC through their employer and LTC is a top stressor for employees 40+ years

## WA Cares Fund vs employer-sponsored LTC insurance plan

The example below compares the costs for a 40-year old employee with an annual salary for \$145,000.

Program	WA Cares Fund	Employer-sponsored LTC
LTC policy maximum	\$36,500	\$150,000
Death benefit	None	\$75,000
	Annualized 0.58% Tax (no cap)	Annualized premium
<b>Annual costs</b>	<b>\$841</b>	<b>\$839</b>

## Adding a robust and turn-key long-term care solution

We helped the client add a life insurance benefit with a long-term care rider to their voluntary benefits plan for all U.S. employees. This option was selected for its flexible plan design, rate stability, affordability, guaranteed issue (no health questions), and administrative ease.

Our team supported the implementation with a robust, multi-channel communications program to increase awareness and educate employees on both the product and the WA Cares Fund. We created custom materials including brochures, FAQs, and held five different employee sessions and webinars including specific webinars for employees residing in Washington state.

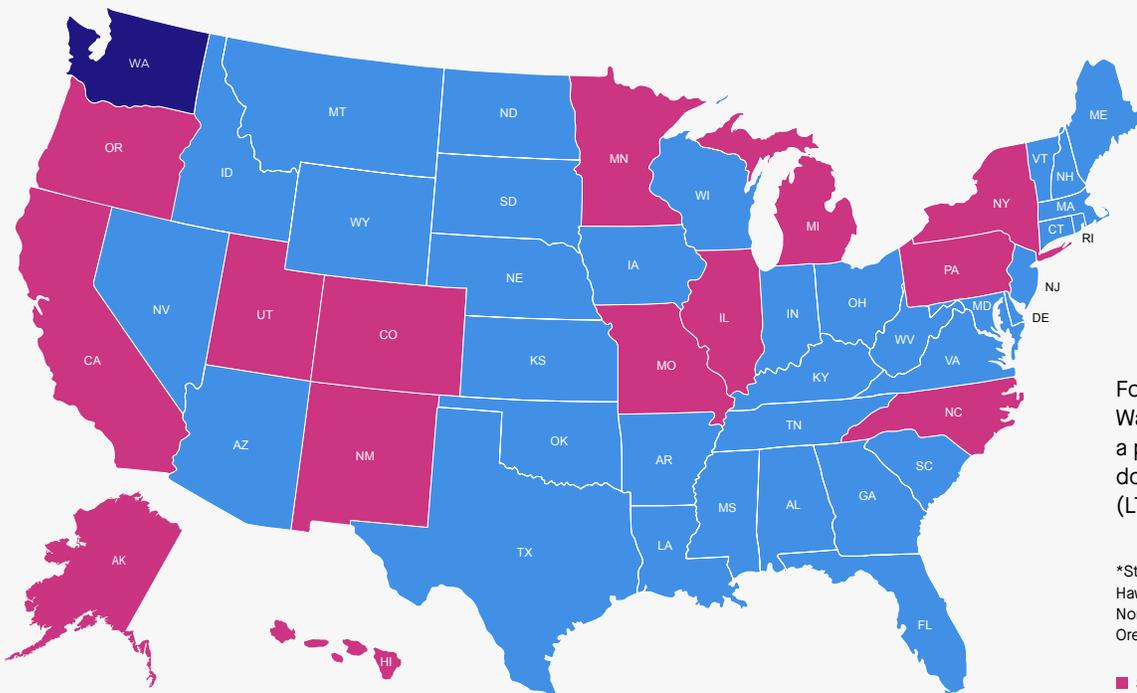
Offering a turn-key LTC enrollment and education solution minimized the workload and reduced the administrative burden on the client's HR team.

## Significant results

The client saw strong participation across all employee segments, including 61% enrollment from Washington state employees, thus making them eligible to opt out of the WA Cares Fund payroll tax.

Employees also offered positive feedback for the program, citing significantly lower premiums than previously offered LTC solutions, ease of access to coverage with multiple opportunities to enroll without health questions, and a robust education program that helped them make informed decisions.

## Is your state considering adding a long-term care payroll tax?



Fourteen U.S. states\* are following Washington's lead and considering a payroll tax for workers who do not own long-term care (LTC) insurance.

\*States include Alaska, California, Colorado, Hawaii, Illinois, Michigan, Missouri, Minnesota, North Carolina, New Mexico, New York, Oregon, Pennsylvania, and Utah.

■ States considering a LTC payroll tax  
■ States not currently considering a LTC payroll tax  
■ State that has implemented a LTC tax

## Are you ready to take the next step?

For more information about this project and to discuss ways that we can help your team add LTC insurance to your benefits package, contact us at **1-866-355-6647** or **talktous@buck.com**.

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