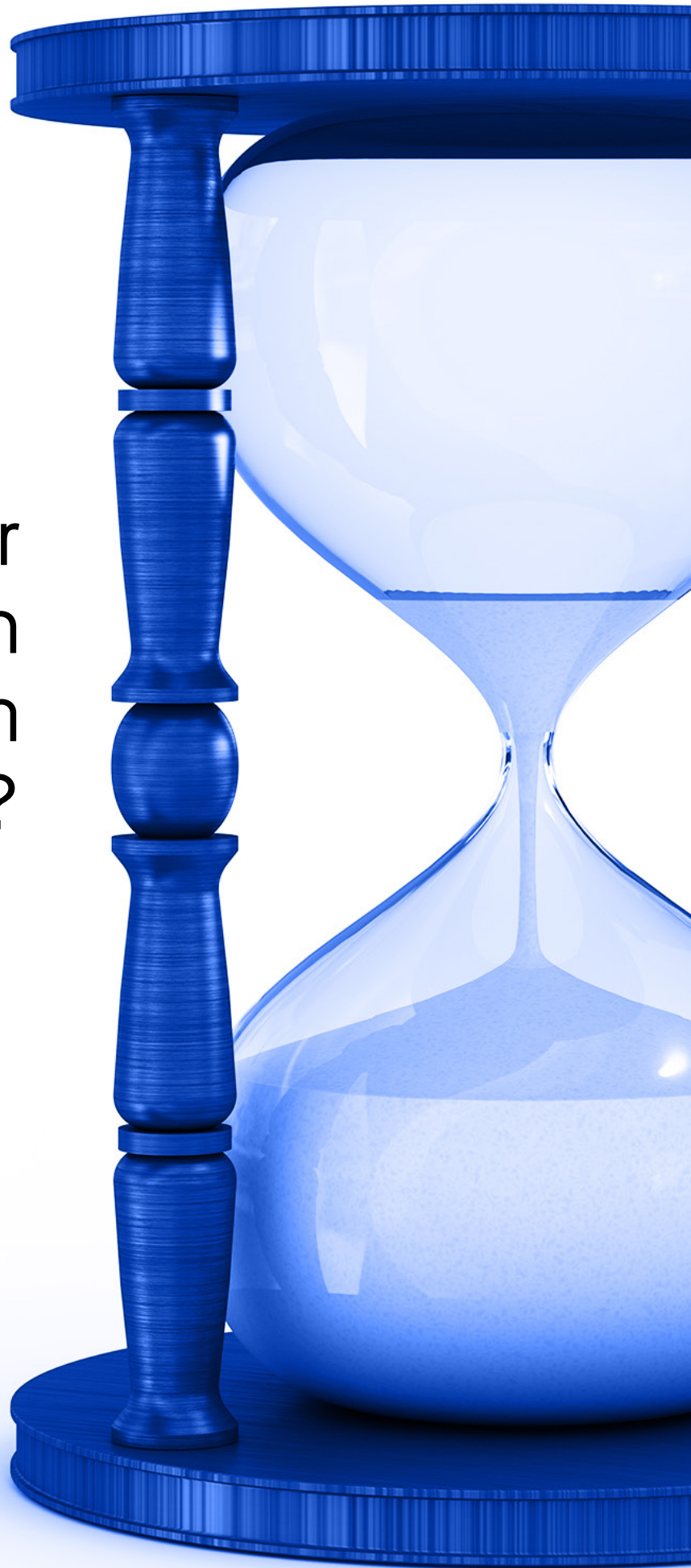




Should your  
organization  
offer long-term  
care insurance?



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# The growing need for long-term care

## The U.S. Department of Health and Human Services says the likelihood of anyone who reaches the age of 65 needing long-term healthcare services is about 70%.

Nearly 10,000 Baby Boomers turn 65 every day, facing an inevitable decline in health due to illness, accident, or the impact of aging. For individuals, the potential cost of long-term care is one of the leading sources of anxiety for those age 40. Many have no plan to finance long-term healthcare, and with even a modest income and assets, they're ineligible for Medicaid. With the average cost of a private nursing home room over \$108K, individuals will need to use their savings to pay for their care or rely on family members.

The stress on Medicaid to support those with few or no assets is tremendous and is expected to grow in the coming decades. So, it is no surprise that state governments are looking for solutions. Following the lead set by Washington state, 14 other states are considering an employee payroll tax to fund public trusts to cover long-term care (LTC) expenses. However, our analysis shows that employer-sponsored coverage typically offers employees more affordable and robust options.

To help employees pay for LTC, the recently passed SECURE 2.0 legislation includes provisions that will allow employees to withdraw up to \$2,500 from their 401(k) retirement plan to pay for LTC coverage without paying penalties on the withdrawals. This new provision will go into effect for tax years beginning after December 31, 2024.

This raises the question, is now the right time for employers to add long-term care insurance to their benefits package? According to the findings from [Buck's 2022 Employee Wellbeing and Voluntary Benefits Survey](#), LTC was one of the fastest growing benefits between 2020 and 2022 and a top benefit sought by Gen X and Baby Boomers. In fact, four in five employees would prefer to purchase LTC insurance through their employer.

**73M**

baby boomers will turn 65 by 2030

**70%**

of employees over 65 will need long-term care<sup>1</sup>

**16%**

of people have a plan to cover long-term care expenses<sup>2</sup>

**\$108K**

average annual cost in a private nursing home room<sup>3</sup>

## A new legislative agenda to fund long-term care expenses

At the state level, Washington recently became the first to implement a public LTC trust for residents, known as the WA Cares Fund. A key point of legislation allowed employees to "opt-out" of the payroll tax, only if they own private LTC insurance, and as of November 1, 2021.

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. But this will only provide a state-sponsored lifetime benefit of \$36,500 to pay for extended care. This is barely (if at all) adequate for even the most basic care.

Under the rules of the Washington State "WA Cares Fund" companies will be expected to deduct the tax from employee wages and report those hours and deductions as often as quarterly.

While the WA Cares Fund is a laudable initiative, the current maximum lifetime benefit will fall woefully short of covering actual long-term care costs. An analysis of private options showed employer-sponsored LTC insurance is considerably more affordable and more robust than the WA Cares Fund.

### 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 of \$145,000.

Program	WA Cares Fund	Employer-sponsored LTC
LTC policy maximum	\$36,000	\$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>

<sup>1</sup>LongTermCare.gov. <sup>2</sup>OneAmerica@ Long-term Care Survey. <sup>3</sup>Genworth 2022 Cost of Care Survey

# States considering a long-term care tax

Fourteen states\* have begun exploring how to pay for long-term care and many are following Washington's lead and considering a payroll tax for those that do not own private LTC insurance.

## Status by state

Below is a brief update on activities from those states that are most engaged on this issue, as of March 2023.

### California

A LTC insurance task force was established within the California Department of Insurance in 2019 with the passage of AB 567. The task force provided recommendations to legislature in January 2023 and an actuarial study will be completed by the end of 2023.

### Pennsylvania

House Bill 2779 was introduced in August 2022. The bill will establish a LTC program very similar to the WA Cares Fund (funded by the payroll tax) which includes an exemption for individuals who owned private LTC insurance. The bill has been referred to the Aging and Older Adult Services Committee and is expected to be re-introduced in 2023.

### New York

House Bill S9082, the "Long Term Care Trust Act," was introduced in May 2022 and the bill was referred to the Senate Health Committee.

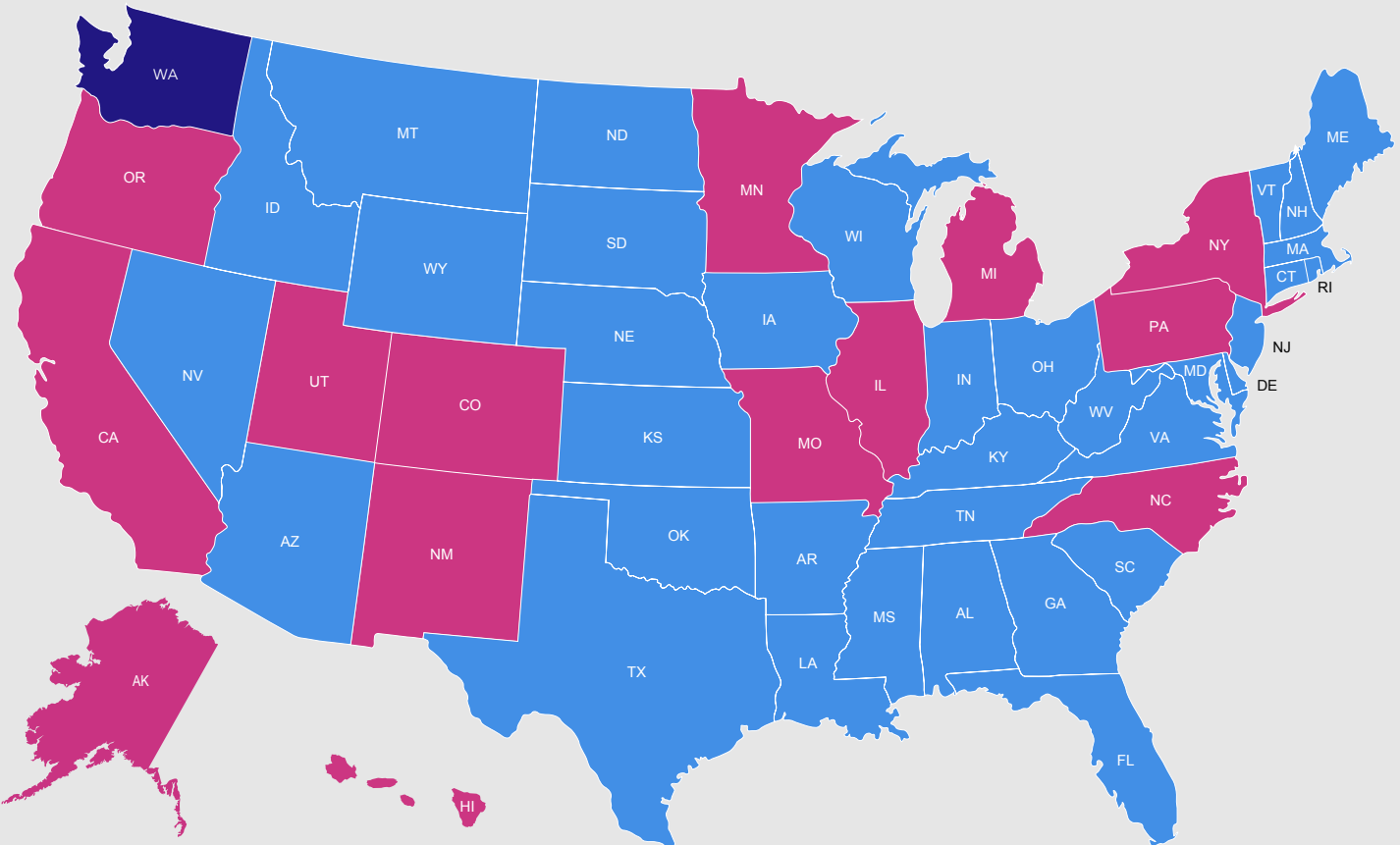
### Minnesota

Minnesota Department of Human Services Aging and Disability Services Administration Division submitted a request for proposal for a contractor to study options to increase access to long-term care financing, services, and support in Minnesota.

### Long-term care proposals in other states

Studies on long-term care are being conducted in New Mexico, Oregon, and Vermont, and preliminary discussions are also occurring in Colorado and North Carolina. States that are considering following the lead set by Washington state include Alaska, Michigan, Missouri, and Utah.

## States considering a long-term care payroll tax



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

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

# The case for adding long-term care insurance to your benefits package

Many recall the late 90's when many carriers rushed to offer group long-term care. Unfortunately, carriers were not conservative enough in their actuarial assumptions and too aggressive in their pricing. Once enrollees began making claims, many carriers froze their plans to new members and/or increased premiums, leaving many longtime policyholders without affordable coverage.

The market today has changed dramatically. Today's policies are also priced conservatively because carriers have learned from experience. Rising interest rates are also likely to help keep premiums steady as carriers earn more from their invested assets.

## Keep your benefits competitive

An employer-sponsored LTC insurance plan has multiple advantages over private, individual coverage, including:

- Guaranteed coverage (no health questions required to qualify)
- Guaranteed benefit options - either death benefits or long-term care benefits
- Coverage in all 50 states
- Stable rates with low likelihood of increases
- Flexible plan design to meet different budgetary needs

LTC insurance is a top benefit for employees, and many are interested in purchasing through their employer. And, employee demand is likely to grow if more states move ahead with legislation to fund public LTC trust through an employee payroll tax, as employees may only be able to opt-out of the tax if they purchase private LTC coverage.

For organizations, adding LTC insurance to your benefits package may provide a better option than the public programs. A workplace plan can support financial wellbeing and provide employees with:

- Flexible plan designs
- Premium discounts
- Gender neutral rates
- Affordable coverage: There is no cost to employers for adding voluntary LTC insurance. For organizations that decide to subsidize this benefit there may be potential tax savings.
- 100% portability
- Timely education and awareness
- Turnkey implementation

Employer-sponsored long-term care also supports an organization's DE&I initiatives. Women typically pay 20% - 40% more than men for equivalent private LTC insurance in the open marketplace since they have a longer life expectancy. As group plans offer gender-neutral rates, this can be a huge savings for your female workforce.

# Program implementation and employee education

Many employees have preconceived notions about long-term care and do not understand how it relates to their financial security. A robust education is critical to the success of rolling out an LTC solution and raising awareness of a problem that financial planners have referred to as “the most overlooked aspect of financial planning.”

A successful multi-faceted communication campaign addresses two challenges of implementing LTC as a benefit: one, getting people to meetings, and two, making LTC relevant to younger employees. We’ve found that multi-channel communications, webinars, one-on-one meetings, and personalized emails make long-term care more relevant to each employee while simplifying the education and enrollment process.

Providing your employees with the resources that will foster awareness and early long-term care planning can help employees protect their retirement savings.



# Support your employees' financial wellbeing

Currently, just 25% of employers offer LTC insurance as part of their benefits package – but it is also among the benefits employers are mostly likely to add in coming years.

Our research shows that employers increasingly acknowledge that financial wellbeing is as crucial to the overall health of the workforce as mental, physical, social, and career health. And nearly seven in 10 working adults report that they would perform better at work if their employer offered more financial wellness benefits, according to a survey released by the National Association of Personal Financial Advisors.

Historically, employers viewed financial wellness through the prism of wealth accumulation programs, including 401(k) savings, pension, and stock purchase plans. But this emphasis fails to recognize that long range financial security also depends on being able to protect one's financial assets.

With the impending legislative changes, there's never been a more appropriate or compelling time for employers to add LTC to their total rewards package and help employees to protect their financial future.

Currently, 25% of employers offer LTC insurance.

## Talk to us

To learn more about our comprehensive long-term care solutions, contact us at **1 866 355 6647** or **talktous@buck.com**.

**buck.com**

