



THE DOLLARS AND SENSE OF Long-Term Care

PAUL STREBE'S MESSAGE CERTAINLY COMMANDS ATTENTION. At some point, his colleagues probably will need long-term care. It's costly, and it's not covered. That's the long-term care time bomb.

"If they were in a car accident and had some residual loss of function, they'd expect *something* out there to pick up the cost," says Strebe, health policy analyst at the Department of Employee Relations for the State of Minnesota. "It won't happen unless they are willing to impoverish themselves for Medicaid."

Strebe is a tireless advocate of long-term care (LTC) insurance, which helps cover the costs of nursing homes, home care and assisted-living facilities. Minnesota is one of the country's 5,000 employers that offers LTC insurance to its employees, and the state has put tremendous effort into convincing workers to safeguard their retirement savings by buying the product.

Nationwide, no more than eight percent of eligible employees usually opt for the benefit. Minnesota, though, was able to coax about 17 percent of its 61,000 eligible employees and retirees into purchasing LTC insurance through its program—an exceptionally high participation rate in the public sector. Why? Strebe's message is hitting home with younger employees.

"This is not an old-age benefit," he stresses. "It's most affordable when you're in your late 40s and early 50s."

TOMORROW'S REALITY

Call it a dose of reality, but younger Americans increasingly are willing to make LTC a component of retirement planning during their prime earning years.

"All of us baby boomers are marching to our destinies, and at some point it will be our retirement benefits we are trying to protect," says Janet Kennedy, head of long-term care insurance products & marketing at Aetna Group Insurance (<http://www.aetna.com>) in Hartford, Conn. "The decisions about LTC planning we make today are tomorrow's reality."

Statistically speaking, most Americans who reach age 65 will live to be 80 or older, and their chances of needing LTC increase with age. The likelihood of needing the services of a nursing home, assisted-living

facility or home-health aide rises sharply after age 85.

Those figures mean that many more Americans know someone who has lived in a nursing home or an assisted-living facility or needed home care. And those costs are not fully covered by government programs or employers' health insurance plans. So workers increasingly are asking their employers to add an LTC benefit, says Richard Allen, president of American Corporate Benefits Inc. in New York. "Both management and the rank-and-file are becoming more interested because of what is happening to their parents," Allen says.

BETTER SOMETHING THAN NOTHING

Younger Americans who buy LTC insurance are motivated by a brush with chronic illness or disability. "One client came to me after his friend, in his 40s like him, had a heart attack. That friend is still in a wheelchair a year later," says Susan Suben, president of Long Term Care Associates, an insurance brokerage in Cortland, N.Y.

For most, it makes financial sense to buy an LTC policy long before retirement. "The ads you see for insurance show silver-haired people walking on a beach. The actual age of those people should be 45," says Meridee Maynard, vice president of disability income and LTC insurance at Northwestern Mutual in Milwaukee. "I stress to baby boomers that LTC is just a module of retirement planning, and they can take advantage of tax incentives more than a retired 65-year-old."

In an effort to provide more affordable products, insurers are introducing policies targeted at small and midsize employers. Aetna's new "core-and-buy-up" product, for example, lets an employer fund a base plan of coverage, typically a daily benefit of \$50 with a three-year lifetime maximum. With this product, employees can apply the employer's premium contribution to any plan design of their own choosing. The employee-paid buy-up option allows workers to purchase more expensive customizations, such as higher coverage amounts or automatic inflation protection.

Yet basic policies, which are affordable to younger workers, are an important option for getting coverage at a lower cost, Long Term Care Associates' Suben notes. "Someone might want a Cadillac plan, but they just can't afford it. It's always better to have something than nothing." ■



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