

A long time coming, but long-term care gains traction

BY ELIZABETH MILLARD
STAFF WRITER

Getting employees to squirrel away more money for retirement can be challenging enough, but also asking them to think about post-career health care has been especially daunting.

Long-term care insurance, a benefit that kicks in after retirement to cover an individual's health costs, has been slow in getting momentum, even with major tax breaks as an incentive.

But the benefit could finally be gaining the traction necessary to make it more attractive at many companies.

"There's definitely more energy around long-term care, and employers are thinking more seriously about adding it to their existing plans for employees, or offering it as a voluntary benefit," said Deb Newman, CEO of Bloomington-based Newman Long Term Care.

Part of the reason is a significant tax advantage, she added, noting that the benefit is 100 percent deductible for employers. Other pluses are that plans usually have discounted premiums, and benefits can be extended to the parents of employees. Since about 10 percent of today's work force is doing some type of caregiving for aging parents, the insurance can be compelling for those employees, Newman noted.

If an individual chooses to purchase the insurance out-of-pocket, the state of Minnesota will give him or her a \$100 tax credit. "In some ways, that makes it better than disability insurance, because the state is basically putting money in your pocket just for having it," she said.

Slow to market

Long-term care first emerged as a viable benefit option in the late 1990s, said Julie Darst, a health care consultant at Towers Perrin in Bloomington.

Although some large companies bought cost-effective group insurance, many shied away from long-term care because they didn't want to subsidize yet another benefit. Even more detrimental to the insurance providers was a shakeup in the market and some companies couldn't get out of their policies.

"Around the year 2000, there weren't a lot of players, but there were enough to make it viable," Darst said. "Still, a lot of people stepped back a little because they thought that part of the industry was messy."

Now that the benefit has more maturity, more employers are looking at adding it either to general employee options or as a perk for executives, she noted.

Western National Insurance Co. in Edina began putting long-term care into the benefit mix this year, and extends it to all of its 370 employees. "We thought people needed more options," said Western's CEO, Stuart Henderson. "When we first started looking at it a few years ago, though, it wasn't quite what we wanted."



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Deb Newman, CEO of Newman Long Term Care, keeps photos of clients. She said interest in the plans has risen lately.

The cost of the benefit was too high, he said, and the lack of portability was a concern. But now that pricing is more competitive and employees can take the insurance if they leave the company, Western felt the time was right. But that doesn't mean employees were clamoring for the insurance, or have even expressed a positive reaction now that it's in place.



Henderson

"You don't really hear about when people are happy with a benefit, only when they aren't, said Henderson. "But as employers, sometimes you have to be paternalistic and think about what's in their best long-term interest. The trend nowadays is away from the independence of the '90s, I think, and back to a paternal strategy."

Western pays 100 percent of the benefit, and allows employees to purchase insurance for other members of their family.

Rosy future, but with challenges



Goldstein

Recent shifts in the structure of the insurance are likely to drive more employers like Western to re-evaluate long-term care, and providers are eager to tout the insurance's advantages. Beyond tax incentives, long-term care has become more simplified, said Peter Goldstein, president of Eden

Prairie-based Long Term Care Group, a spinoff of UnitedHealth Group.

The company is counting on acceptance of long-term care as a benefit to help it grow, and Goldstein already is seeing traction as his group and other insurers target employers and younger employees, and see rising rates of adoption as a result.

The state of Minnesota, for example, has put in a comprehensive long-term benefit and has done a campaign to increase awareness among state employees.

However, there are still challenges in having the insurance become as standard as other benefits.

"It can be difficult to get people in their 40s and 50s to focus on this and see that they need it," Goldstein said. "Personally, I'm 49, I'm healthy, and long-term care seems so far in the future, especially with other expenses to worry about like paying for a kid's college fund or putting more in a 401(k). It's a challenge to get people like me to see that this is something they need to do."

One tactic that's likely to convince at least some employees is to mention the insurance in the same breath as retirement planning, Newman has found. If long-term care isn't in place, a retirement fund can get drained fairly quickly.

"This benefit can act as a wrapper around a 401(k)," she said. "It protects that asset and that can be invaluable."

Elizabeth Millard is a freelance writer based in Minneapolis.