

Wye River Group on Healthcare

The Implications of an Aging America

The Potential Role of Targeted Education Efforts

Employers' Perspectives

Overview

Employers say that cost pressures are forcing them to re-evaluate their commitment to providing retirement benefits for employees. A growing number have decided to shift financial responsibility for retirement planning, including preparing for health care and long-term care, to their workers.

But employers recognize that many of their employees lack the necessary information, on their own, to be prepared, particularly for their long-term care needs. Employers want to help workers plan for their retirement, evaluate insurance products, and find services, but they can't shoulder the entire burden.

Employers also have a strong interest in helping their employees who are caring for parents or other family members with health and long-term care needs. When employees become family caregivers, it takes time away from their work and employers see a productivity loss.

But the information and products that are available tend to be complicated, fragmented, and confusing. So part of the challenge is figuring out how to educate employees. But employers say they are finding it difficult to get workers interested in thinking about long-term care and the information that is available. They also don't have the resources to provide all the assistance that workers need. There has to be a broader effort, led by the federal government, to educate workers about long-term care and retirement planning.

Key Themes and Areas for Action: Public Education, Product Definition, and Alternative Financing Mechanisms

Lack of Awareness

Current Situation:

Employers recognize that many workers are unprepared for the cost of their retirement, including the cost of their health care and long-term care needs. Part of the problem is that they lack useful information about retirement planning, particularly in the area of long-term care insurance.

"No one knows what it means," said an IBM benefits manager. "I bought long-term care insurance, but I don't know how it works."

The information that is available tends to be complicated and confusing. Few people seem to know what long-term care insurance actually is, where to buy it, or how they would use it.

Some employers have been trying to educate their workers about long-term care insurance and other issues in retirement planning. But even when they provide detailed information about long-term care products, there seems to be a lack of interest among workers.

Some employers are also afraid of a negative reaction if they raise long-term care insurance with their employees but don't provide funds for it.

Workers who are already caring for family members with long-term care needs are interested in the issue, but the challenge is to get people thinking about long-term care insurance before they actually need it.

What is needed?

The employer community feels there should be a public education campaign to raise people's awareness about planning for retirement and long-term care.

"We've moved away from our commitment without providing the information they need. We have a challenge of thinking about how to educate." – a CalPERS Health representative

"There is no question that most people won't buy long-term care insurance without someone pushing it – either employers or the government." – aging specialist, George Washington University

There should be an actionable strategy to identify "teachable moments" – those times when people are receptive to learning about long-term care, such as annual open enrollment periods and during retirement planning. "Teachable moments" could include times when employers talk to employees about health reimbursement arrangements, which are a good vehicle for educating workers about long-term care insurance. Other opportunities would be annual open enrollment periods or when workers start caring for family members.

There is also a need to define who should be educated about long-term care insurance. Financial planners say the product is not appropriate for people with low or moderate incomes.

Who should do it?

Employers say they can play a role in educating workers about long-term care but that they cannot assume primary responsibility.

The federal government and community leaders are in the best position to communicate a message to the general public. It's a megaphone role and there should be a federal program to educate.

"We need a national policy." – an IBM representative

Employers say there should also be information and education at the high school and college levels about planning for retirement.

Financing Issues

Current Situation:

Employers say they are facing increasing cost pressures that are forcing them to scale back their contributions to retiree health benefits. More of the responsibility will pass to workers themselves, to Medicare, and to Medicaid as the payer of last resort. But federal and state governments are already struggling with tight budgets, and most workers do not have the level of income and savings that would allow them to pay for the full cost of their health and long-term care needs.

"Most of our employees don't make \$50,000 or have \$50,000 in assets. What do we do with these people? They're the majority." – a Ford Motor Company representative

What is needed?

Employers say they need support to continue providing retiree health benefits. They are pushing for federal legislation that would allow them to include long-term care products as part of a cafeteria plan. They would also like to see preferential tax treatment for people at all income levels to buy health insurance and long-term care insurance for themselves.

"I don't think everyone needs long-term care insurance. But if you can buy it on a pre-tax basis, it could be an option in open enrollment." – a Hewitt Associates representative

Care Delivery/Service Issues

Current Situation:

Employers say they aren't sure there are good long-term care insurance products available or whether they are worth the premiums. It is not clear what type of care or service the product offers people. The product is not well defined.

"Some people have looked at the return on investment of LTC and decided to put their money into their own account." – a Motorola representative

There is also a lack of information and assistance for people who are currently looking for services, for themselves or a family member.

“The information is way too complicated,” said a financial planner with Cassaday & Company. “You’re dealing with a whole range of care options.”

“People in this setting are seeing multiple doctors in multiple settings. There is huge confusion.” – a representative of the Chicago Business Group on Health

What is needed?

Workers who need long-term care services for themselves or a family member need a credible place to turn for timely assistance in finding information and services. Information needs to be organized in a way that people can find it and have access to it. Participants discussed the idea of using a web template for this purpose. There seemed to be interest and support, particularly if the template can provide pragmatic, real-time information on resources in the local community.

Leverage points

Employers would like to address long-term care in the context of employees’ benefits package. They recognize that workers generally benefit from having long-term care insurance, but they are not sure how the product fits into the overall health and retirement package. They are interested in legislation that would allow them to offer LTC insurance as part of a cafeteria plan.

Employers would also like to be able to direct employees to resources that would help them plan for their long-term care needs and find the appropriate services. They are particularly interested in finding assistance for employees caring for family members with long-term care needs in order to minimize the time those employees need to take off work.