LTCI: The Largest Uninsured Employee Risk

What is the one employee benefit that employees ultimately need more over the course of their lifetimes than any other? With a 72 percent risk of needing long term care after age 65, the cost of long term care is the largest unfunded liability in America today. However, less than 10 percent of corporate America's employees today own long term care insurance (LTCI).

How is it possible that in 2011, more than 90 percent of U.S. corporations still don't have a menu of voluntary LTCI coverage? Moreover, if no employer premium contributions are required, is there any reason for every corporation not to be offering voluntary long term care insurance?

Most traditional employee benefit programs provide an effective balance of medical, dental, life and long term disability insurance coverage. Such benefit packages do an exceptional job of covering most areas of insurable risks that employees face during their working years. However, what exactly are considered the "working years" in 2011?

Consider that back at the turn of the last century, the average American was expected to live to age 47. Today, men can be expected to live to approximately age 77, compared with age 83 for women. When a married couple reaches age 65 these days, one of them will likely live to age 90. Medical science is extending our lifetimes, creating an ever growing insurable risk.

Recent research into the cost of medical expenditures projected over our lifetime alerts us to an incredible "imbalance." One study revealed that 80 percent of a lifetime of medical expenses can occur in the last two years of life. Consider that today, a typical employer and employee are together spending at least $500 to $600 per month for medical coverage. For a 45-year-old employee, that projects to at least $140,000 in total medical premiums paid. Yet, none of that $140,000 will go toward the medical bill after age 65.

This illustration isn't meant to discount the value of the protection that a $500 per month premium provides. Triple bypass surgery at age 50 needs to be insured. One medical catastrophe can quickly wipe out savings and another family home heading toward foreclosure. My objective is to give you a vision of the need for lifetime medical care coverage, not just to age 65. Regardless of the quality of our medical insurance during our working years, we better make sure we have adequate coverage during those last two years of life.

However, what we used to define as the "working years" will necessitate more expansive employee benefits in years to come. Decades ago, the traditional age for retirement was age 65. Those days appear to be gone forever. In many states today, seven out of 10 workers aged 65 years and older keep working because many simply can't afford to retire at age 65; others discover their company sponsored benefits are too valuable to give up.

Medicare, the federal governments' medical insurance plan for today's "senior" population, provides extensive benefits at an equitable cost. However, keep in mind that 94 percent of care after age 65 is "custodial" care and is not insured by Medicare. Even if it was skilled care (covered by Medicare), it's never covered for more than 100 days. If those last few years of life are so medically and financially "hazardous," how and when do we plan for it? At what point, or age, does an employee do their "later life" planning?

Regrettably, the tendency is for most people to do their long term care planning as part of the retirement planning process. However, since a diminishing number of retirees have adequate finances to actually retire on, the long term care planning process mostly never happens.

From the employee's perspective, the ever increasing long term care risk begins to reach the dangerous stage at just about retirement time. If the employee hasn't purchased long term care insurance prior to this time, they'll be facing several key issues simultaneously.

By age 65, many retirees have already experienced ill health. At least 10 to 20 percent no longer qualify, as they're medically uninsurable. Chances of qualifying for a good health discount are as low as 10 percent. Plus, the premium rates are increasing by 5 percent to 6 percent annually and, at the same time, health care costs are increasing by more than 5 percent each year. Every year of delay increases the cost another 10 percent to 11 percent to insure the very same risk.

An employer can provide a most valuable service by simply calling attention to these issues. Employees automatically assume their employer has done their due diligence and employer-sponsored coverage has favorable discounted rates for life.

Caution: Don't expect that employees will be lined up waiting to apply for long term care insurance. My experience is that they won't. Remember, e-mail communiqué's, seminars, "lunch and learn" meetings and one-on-one meetings are all part of the necessary communication process.

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