



Benefits Briefing VOLUME 11

Perspectives on Current Offerings and New Choices
from a Survey of Brokers and Employers (Q1, 2010)

National Employee Benefits Advisory Forum (NEBAF)

Background & Methodology

The National Employee Benefits Advisory Forum (NEBAF) conducted an online information exchange in late March and early April 2010, to understand its members' interest and experience regarding important employee benefits and some new approaches to the kinds of choices employers and employees may have in the near future.

The information in this report is based on an online survey taken by 248 brokers and 130 employers.

The following pages include findings from brokers and employers regarding their perspectives on

- Long-term care insurance, and
- Third party administrators (TPAs) or human resource outsourcers (HROs).

Executive Summary

This Briefing includes insights from brokers and employers with regard to long-term care insurance products.

- Roughly half of brokers surveyed sell long-term care insurance. Among those, the majority sells true group policies.
- The majority of employers do not currently offer long-term care products to their employees. Most cite lack of employee demand as the top reason.
- Participants estimate that current participation in LTC insurance (among those age 40+) is low. Not surprisingly, most brokers and employers report being dissatisfied with employee participation levels.
- Both brokers and employers agree that two key reasons for low participation among employees are – the existence of too many other competing employee benefits products and the fact that employees do not anticipate needing LTC coverage.
- Beyond that, brokers and employers disagree on reasons for low participation; brokers tend to think price is a key reason, while employers name age as a top factor.
- Yet, among those who have experiences with LTC insurance, most say they are at least somewhat satisfied with the products currently available in the market.

This report also presents information on brokers' and employers' views on third party administrators (TPAs) and human resource outsourcers (HROs).

- Roughly half of both brokers and employers report that they have seen contract provisions that address carrier responsibility for TPA/HRO administrative errors.
- About half of employers say their company currently uses a TPA or HRO (or is considering engaging one in the next 12 months).
- About one-third of brokers and about half of employers highly agree that TPAs/HROs and group insurance carriers work well together. Neither group feels that they have seen TPAs/HROs make significant administrative errors in the past year that require group insurance carriers to remedy. But, most participants (brokers and employers) completely agree that they would not do business with a carrier that stipulated the client would be accountable for errors made by a TPA/HRO.

What is long-term care insurance?

Long-term care insurance is insurance that helps pay for receiving day-to-day care for needs such as bathing, dressing, eating, etc. - at home, at an adult day care center, in an assisted living facility or a nursing home that is needed as a result of a severe physical or cognitive impairment (e.g., Alzheimer's Disease or Multiple Sclerosis). This insurance is different from both medical coverage that pays medical bills and long-term disability insurance that replaces income when someone can't work because of an injury or illness.

Long-Term Care Insurance

We asked both brokers and employers about their opinions on and experiences with long-term care (LTC) insurance.

Brokers Selling LTC Insurance

When we asked brokers whether they personally *sell* LTC insurance, **results were evenly split** – about half say they do and about half say they don't.

Among those *not selling LTC*, the **top two reasons for not selling** the product to employers are:

- Long-term care insurance is not a core product for the employers that I deal with; therefore, I do not market it.
- Employers do not "promote" long-term care insurance to their employees.

These responses seem to represent key challenges facing long-term care products. Perhaps, as the product gains some longevity, some of these obstacles will be less significant.

Those brokers that *currently sell LTC* most commonly sell **true group policies** (policy issued to the employer and certificates to the employees, often including guaranteed issue coverage, simplified underwriting and a rate guarantee).

Employers Offering LTC Insurance

We asked employers whether or not their company currently *offers* LTC insurance to its employees. **The majority says they do not currently offer the product.**

Among those *not offering LTC*, the **top reason, by far**, for not offering it to employees is - **there has been no demand for it from employees**. This may suggest an unmet communications need on the part of employees.

We also asked the small number of employers who *offer LTC* insurance who pays the premiums. Employers most commonly report that **employees pay the entire premium costs**.

Carriers for LTC Insurance*

We then asked brokers (who sell LTC) about the carriers they use for LTC sales and employers (who offer LTC) about the carriers that provide them LTC insurance.

** The remainder of the LTC questions (except the concept) were asked of only brokers who sell LTC and employers who offer LTC.*

Talking about Long-term Care Products

Here's what Brokers have to say about LTC products:

"I like the discounted group plan, minimum underwriting, and ability to purchase insurance on family members, but feel like it takes an employee to witness what happens to a love one prior to enroll in the benefit."

"Carriers are trying to make it easier to sell and explain. It would be great to have more marketing pieces to help explain coverages."

"The workplace products seem to fit a void that the group products cannot handle (ie. participation requirements), but even the LTC workplace product still competes with other workplace benefits."

"Products tend to require too much education before the employees realize the importance of the coverage. The rating structure is confusing to employees. The EOI requirements tend to scare employees off."

Here are Employers talking about LTC products:

"For two consecutive years we had our broker and a carrier come in and make a presentation about long-term care products and while individuals expressed interest, no one enrolled."

"The benefits we currently offer are putting a strain on the employee's budget. I feel there would be a general lack of participation in long-term care."

"We feel that it is an important coverage but, to date, it seems to be not very straightforward in its marketing or pricing."

"We are beginning to look at the viability of offering Long-term care to our employees. We have only begun the process, so we are looking at several different products."

Carriers for LTC Insurance (cont.)

Interestingly, **top responses by both groups are the same.** Both brokers and employers most often sell/use the following carriers for LTC insurance:

- John Hancock
- MetLife, and
- Unum

These carriers seem to be the most popular in the marketplace currently for LTC products.

Employee Participation Estimates

We asked both brokers and employers what percentage of the employees who are 40+ years old participate in long-term care insurance programs.

Generally, **participation in LTC programs is low.** More than half of brokers and about seven in ten employers estimate that less than 10% of 40+ yr olds participate in long-term care insurance.

Feelings Around Employee Participation

When brokers and employers were asked about their feelings toward employee participation in LTC programs, it's not surprising to find disappointment and dissatisfaction.

- Two-thirds of brokers say they are very or somewhat dissatisfied with the level of employee participation.
- And roughly half of employers report feeling very or somewhat dissatisfied with the level of employee participation.

Clearly, both groups are expecting and would prefer higher participation rates from employees.

Reasons Employees Do Not Participate

When we asked participants why they think more employees do not participate in long-term care insurance programs, similarities and differences are seen.

Brokers identify the following as the top three reasons for low employee participation:

1. *There are too many other employee benefits that compete for the employees' paycheck (e.g., health insurance premiums)*
2. *Employees do not anticipate needing long-term care coverage*
3. *The product is too expensive*

Long-term Care Product Concepts:

Concept A: 'Like life insurance' - has some similarities to a one year renewable term life insurance product.

Concept B: "Level premium" - no premium increases, guaranteed.

Concept C: 'Sharing the upside' - those owning this type of policy might share in the "upside" of unexpected gains.

Reasons Employees Do Not Participate (cont.)

Employers cite the following as reasons most commonly:

1. *Employees do not anticipate needing long-term care coverage*
2. *Employees want to wait until they are older to purchase*
3. *There are too many other employee benefits that compete for the employees' paycheck (e.g., health insurance premiums)*

Interestingly, brokers tend to think price is a key reason, while employers name age as a top deterrent. Again, these reasons point to a need for increased communication with employees as to the benefits, etc. of long-term care insurance.

Satisfaction with Long-term Care Products

For the most part, participants are happy with LTC insurance products available. The majority of both brokers and employers **report being somewhat or very satisfied** with the workplace long-term care products currently in the market.

Concept Test: Views on Long-term Care Product Concepts

Participants were given a description of three long-term care product concepts (*see description in left panel of this page*) and asked their opinions.

Brokers respond favorably to all three concepts. Half or more are somewhat or very likely to recommend these concepts to employers. They report being most likely to recommend Concept B – the "level premium" concept.

Employers tend to answer more cautiously than brokers; they are less likely to say they would offer these products to their employees. Yet, similar to brokers, employers are most likely to offer Concept B– the "level premium" concept.

Third Party Administrators (TPAs) and Human Resource Outsourcers (HROs)

We then asked both brokers and employers about their views and experiences with Third Party Administrators (TPAs) and Human Resource Outsourcers (HROs).

Carrier Responsibility for TPA/HRO Error

We asked participants – both brokers and employers – if they have seen contract provisions (in current or past carrier contracts) that address carrier responsibility for TPA/HRO administrative errors.

About Employers Only – Research Topics

We asked **employers only** about their interest in various topics if they were to be covered in a research report.

The top three topics of interest, in order, are:

- Benefits Communications to Improve Employee Engagement
- Adequate Insurance and Retirement Coverage
- Enrollment Strategies to Maximize on Benefits Return On Investment (ROI)

Brokers may want to provide additional assistance, support and/or information to employers in these areas.

About Brokers Only – Continuing Education

We asked **brokers only** how useful various types of training would be to them if offered by an insurance carrier as continuing education credit.

Brokers name the following topics as most useful (top three listed in order):

1. Underwriting
2. Disability insurance
3. Voluntary products

Clearly, these are areas where brokers could benefit from additional support and training. Insurance carriers may want to add or supplement training in these areas.

Carrier Responsibility for TPA/HRO Error (cont.)

Responses between the two groups are the same. Among both, about half indicate they have not seen provisions of this sort, and about half say they have.

Given these numbers, provisions such as these seem to be fairly common in the marketplace.

Employers Use of TPAs / HROs

*When we asked **employers only** about their use of TPAs or HROs, results were fairly evenly split.*

- About **half say their company currently uses** a TPA or HRO (or is considering engaging one in the next 12 months.)
- And, the other half report their company does not use a TPA or HRO and has no plans to engage in one in the future.

Opinions on TPAs and/or HROs

We asked both brokers and employers (who currently use TPAs/HROs or who are considering using in the next 12 months) their level of agreement with various statements regarding TPAs/HROs. We specifically asked brokers the questions with regard to their client with 500+ employees.

First statement: *TPAs/HROs and group insurance carriers work well together in serving my clients/my company.*

- ✓ Employers indicate a higher level of agreement with this statement. About half of employers say they completely agree, while only about one-third of brokers completely agree with this statement.

Second statement: *Within the last year, I have seen TPAs/HROs make significant administrative errors that require group insurance carriers to remedy.*

- ✓ Neither brokers nor employers seem to agree with this statement. For the most part, both groups report being neutral or disagreeing with this statement.

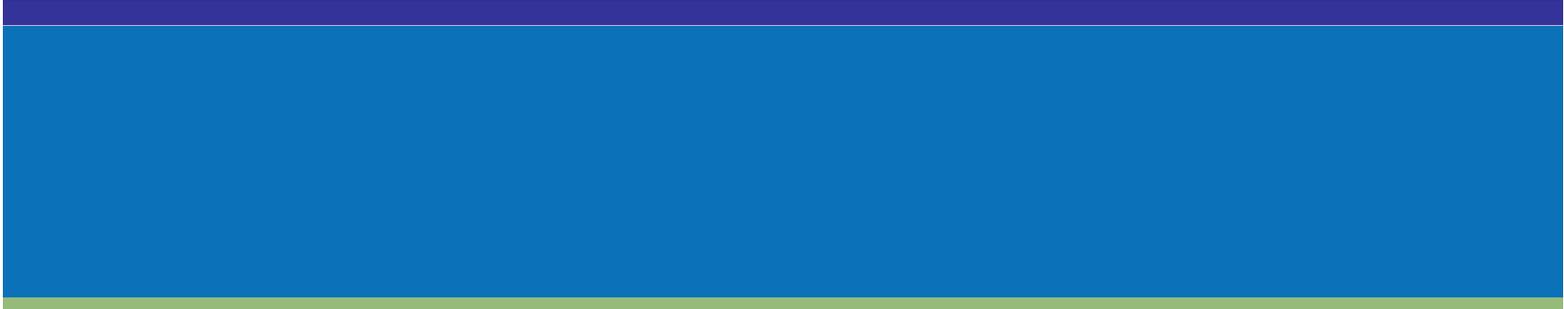
Third statement: *My clients/I would not do business with group insurance carriers whose contracts stipulate that the client/I would be held accountable for errors made by TPAs/HROs.*

- ✓ Both brokers and employers highly agree with this statement. About three in five employers and two in three brokers indicate they completely agree with this statement.



Opinions on TPAs and/or HROs (cont.)

Overall, employers and brokers seem to be happy (brokers slightly less so) with the working relationship between their insurance carrier and TPA/HRO. Although both employers and brokers have not seen significant administrative errors by TPAs/HROs in the past year, they/their clients are not willing to be accountable for errors made by a TPA/HRO.



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