A complete guide to

Today's Care Crisis

Voluntary Benefits

Trustmark
benefits beyond benefits

Introduction

The conversation around long-term care and long-term care benefits has been building for years and feels, to many, like it's reaching a crescendo. A swirl demographic, legislative and economic factors place long-term care front and center for employers and insurance professionals. We'll examine the underlying causes of what many call "the care crisis," uncover potential solutions and discuss what the future may hold for long-term care (LTC).

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Defining long-term care

Let's start with the basics. What does it mean in the insurance industry when we say "long-term care?" It's an important point to make because for those who aren't familiar, it can easily be confused with medical care.

Long-term care refers to support for managing basic day-to-day activities which could be caused by sickness, injury, aging or cognitive impairment. Whereas medical care is focused on treating a condition, long-term care is focused on helping individuals who are no longer able to perform everyday activities on their own - helping them live as safely and independently as possible.

Why might you need long-term care?

Typically in the insurance world, requiring long-term care is defined as needing assistance with certain "activities of daily living". There are other circumstances, such as cognitive impairment (Alzheimer's, for example) which may result in the need for long-term care, typically the need for long-term care is focused on the following activities of daily living:

Activities of daily living

Bathing | Dressing | Eating | Toileting | Continence | Transferring

Care services

Care can take many forms and can take place both inside and outside of an individual's residence. Common forms of care include, but are not limited to:

- Nursing homes
- Home health aides
- Assisted living facilities
- Adult day care facilities
- Memory care facilities
- In-home care provided by a loved one

Care – it’s about giving AND receiving

There’s an important distinction to make when discussing care that often gets overlooked – that care presents a challenge on two fronts.

Care recipients

“How will I handle my care needs?”

Either through injury, sickness or aging, the need for care is likely. It’s important to think about planning for receiving care – how many people have a plan to manage their care should they need it?

Care providers

“What if I have to care for a loved one?”

Many face the challenge of providing care for a loved one – how many people do you know who have had the experience of caring for an elderly parent or a loved one who’s had a health event?

Why is care so important right now?

Long-term care is a hot topic because it's so relevant today. There are a multitude of factors influencing the growing focus on care.

The inverted population pyramid

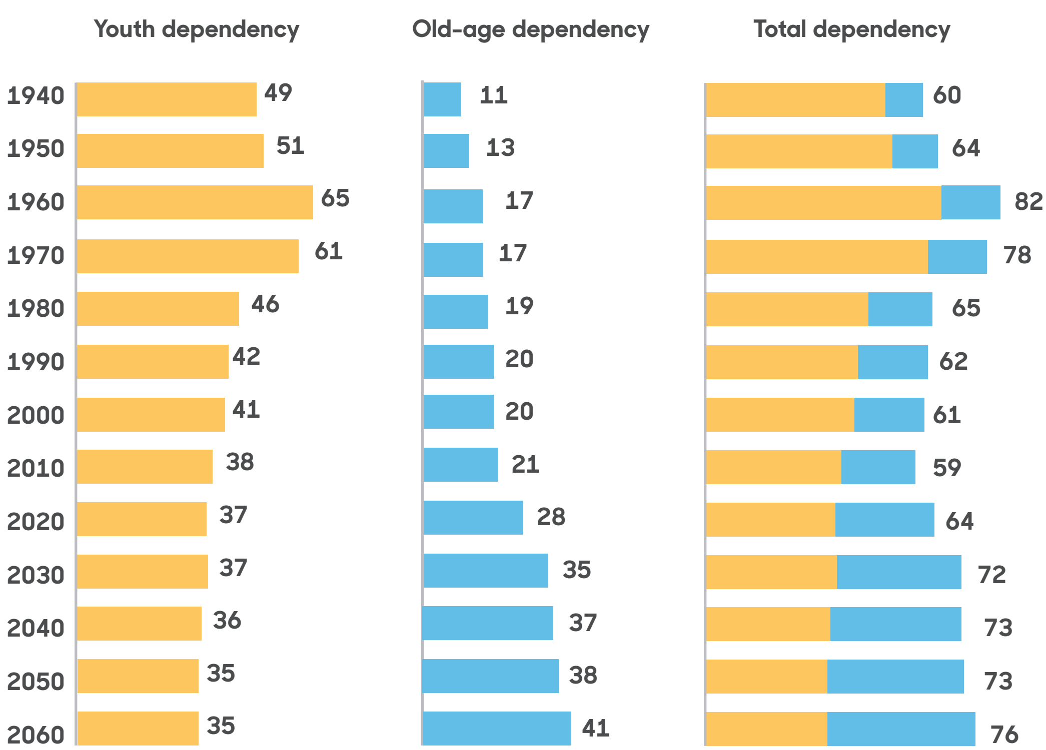
In the past, if you mapped our population by age on a chart, it would look like a pyramid. There were more young people at the bottom, and there were fewer older people at the top. Today, that pyramid is becoming inverted, with a larger elderly population. This can be chalked up to:

- **A very large generation, Baby Boomers, entering their senior years.** Baby Boomers are, roughly, those born between 1946 and 1964.[1]
- **Younger generations not having as many children.** On average, in 1965, families had 2.44 children. In 2020, that number was down to 1.93.[2]
- **Advances in medicine have helped extend life expectancies.** The average life expectancy in 1960 was just under 70 years. Today, life expectancy is 77 years.[3]

As such, it's expected that by 2040 there will be a greater dependency on the working population to support the elderly than the need to support those under 18. (See Fig. 1)

Figure 1.

Dependency Ratios for the Population: 1940 to 2010, Projected Ratios 2020 to 2060



Note: Dependency ratios are a measure of potential burden on the working-age population.

Youth dependency ration = (population under 18/population aged 18 to 64) *100.

Old age dependency ratio = (population aged 65 and older/ population aged 18 to 64) *100.

Source: U.S. Census Bureau, 2017 National Projections, 1940-2012 Population Estimates.

[1] Baby Boomer Definition. Investopedia. 2022.
[2] Average number of own children under 18 in families with children in the US. Statista. 2022.
[3] Life expectancy at birth, total (years) – United States. The World Bank. 2022.

The prevalence of care for young and old

It's a fairly simple calculation to get to – the more our population ages and lives longer, the more likely it is that they'll have to account for care. On top of that, care for younger generations (due to accident and illness) is often more common than people think. While we typically think of care as being for the elderly, that isn't always true.

70%

Someone turning age 65 today has almost a 70% chance of needing some type of long-term care.

Source: "How Much Care Will You Need?" Longtermcare.gov

43%

Of LTC claims are for people under age 65.

Source: How caregiving impacts families, communities and society. Genworth. 2018.

A lack of preparedness

The other reason for all the buzz around long-term care is that, frankly, most consumers aren't giving it the attention they should. As studies have shown, they're either not thinking about long-term care prior to needing it or, if they are, they're not taking the action that they likely need.

63% of long-term care recipients did not consider the need for long-term care beforehand.[4]

Of those that considered the need for LTC, about **25%** planned for it.[4]

In other words, fewer than **¼** of those who need LTC both consider the need and plan for it.[4]

[4] Beyond Dollars: How Caregiving impacts families, communities and society. Genworth. 2018.

The growing costs of care for employees

The immense need for care wouldn't be a challenge for employees if care was affordable and easily accessible. Sadly, it very much remains a challenge because many people don't have the money to pay for long-term care services.

High costs across the board

There are several ways a person can receive care and, for many Americans, all of them can be cost prohibitive without preparation.

Monthly median costs for care services nationwide

In-home Care	Community and Assisted Living	Nursing Home Facility
· Homemaker Services: $4,957 · Home Health Aide: $5,148	· Adult Day Health Care: $1,690 · Assisted Living Facility: $4,500	· Semi-private room: $7,908 · Private room: $9,034

Source: Genworth Cost of Care Survey. 2021.

It's easy to see how the costs of care can quickly become unsustainable for many Americans.

$67,521

The median income of U.S. Households (or $5,626 / month)[1]

$255,151

The average 401(k) balance at age 65

(Enough to cover 2 years of a private nursing home, assuming no other expenses)[2]

$2,993

The average social security check at age 65[2]

These figures clearly demonstrate that many households are not financially prepared to shoulder the costs associated with long-term care. Furthermore, these income sources are not intended for long-term care, but costs of living. Especially when it comes to retirement and 401(k), most people want to protect that money for the retirement savings they envision, not for covering long-term care.

[1] Income and Poverty in the United States. US Census Bureau. 2020.
[2] The average 401(k) balance by age, income level, gender and industry. Business Insider. 2022.
[3] What is the average Social Security check? Bankrate. 2022.

The impact of being a caregiver

The high cost of care means that not everyone will be able to get professional care. In those cases, who will provide care and what does that mean for those care providers? Today's care environment is both a challenge for giving and receiving care – care is often happening at home and provided by loved ones.

Whether by necessity or preference – care is often provided by loved ones at home

A preference for home care

88%

of Americans would prefer to receive ongoing living assistance as they age at home or with loved ones.

Source: Long-term Care in America: Americans want to age at home. AP-NORC. 2021.

Caregiving is done out of necessity

70%

of people who provide care, do so out of necessity.

Source: Beyond Dollars. How caregiving impacts families, communities and society. Genworth. 2018.

It's widespread…

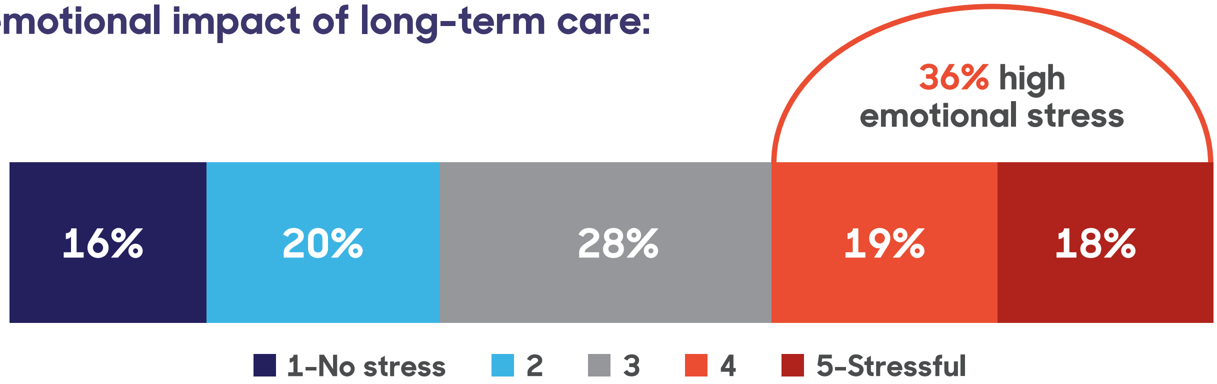
21%

of Americans are caregivers – 40% provide care at their home.

Source: Caregiving in the U.S. AARP. 2020.

The move towards providing care at home often means the burden of care falls on friends and family members, which takes a toll both emotionally and financially.

The emotional impact of long-term care:

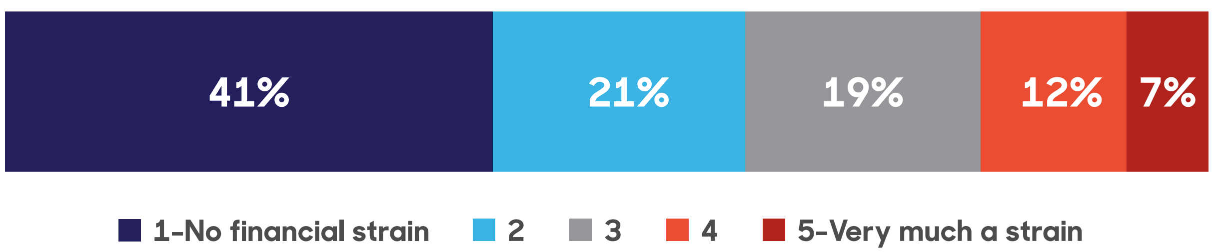


Many report high emotional stress, including:

- Feeling alone
- Feeling they had no choice
- Increased stress
- Depression
- Resentment

While caregiving can be very stressful, some participants did indicate that caregiving gave them a sense of purpose.

The financial impact of long-term care:



More than half of caregivers report some financial strain from caregiving, with the most common impacts being:

- An end to saving money
- Taking on more debt
- Using personal savings
- Paying bills late/not paying
- Borrowing money from family or friends

The average out-of-pocket cost for caregiving in 2021 was more than

$6,000

Source: Genworth. Beyond Dollars. How caregiving impacts families, communities, and society. 2021

Source: Caregiving in the U.S. AARP. 2020.
Genworth. Beyond Dollars. How caregiving impacts families, communities, and society. 2021.

The costs of care for employers

The burden of being a caregiver requires time, energy and emotional commitment. Employers may not see it, but oftentimes, the people providing care are in their workforce. Whether seen or unseen, this means caregiving impacts employers through their employees.

Missing time at work

As noted earlier, roughly one in five Americans has had to provide care to a loved one, which impacts the time they spend at work.

Time away

70%

of caregivers report missing time from work.

Changing schedules

46%

of caregivers have had to start working fewer scheduled hours.

Source: Genworth. Beyond Dollars. How caregiving impacts families, communities and society. 2018.

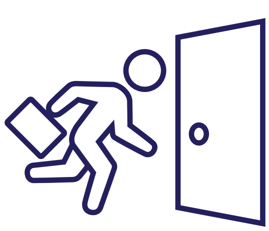
Leaving the workforce

Missing time is one thing, but some employees who provide care are leaving the workforce altogether.

Leaving the workforce

32%

of employee caregivers left their job due to caregiving responsibilities



What's the cause?

53%

of caregivers who leave their jobs cite the cost of paid help

40%

leave because they cannot meet the demand of caregiving and work

Who's leaving?

Those with higher titles are the most likely to leave

Source: The Caring Company. Harvard Business School. 2018

Presenteeism becomes a challenge

Certainly, many employees who are caregivers remain in the workforce, but it does raise the question of how present, alert and focused they are at work. Given all the strains: financial, emotional, and physical, can you really expect employees to perform at their best? Presenteeism – employees who are present at work, but unable to perform at the highest level, is a serious challenge and yet another impact on employees and their employers.

Challenges for care recipients

We've outlined the challenge caregivers face in the workplace, but keep in mind that recent recipients of care (possibly for an illness or injury) are likely to be impacted too. They may be facing.

- Increased financial stress due to the cost of care
- Lingering health issues if they could not afford proper care
- Increased distractions due to managing bills, or changes in the home

For both care recipients and care providers, there are plenty of challenges they face which ultimately can impact their performance and a company's bottom line. It's important to consider both of these groups when looking at long-term care solutions.

Financial resources to address care

We've taken a deep dive into the problem of care, so what are the solutions? There's no "silver bullet" here, but there are tools that can help employees finance their need for care. It's important to note that these financial resources will help an employee fund their own care needs. These are not solutions for helping employees who are providing care to a loved one.

Medicare and Medicaid

Some point to government programs such as Medicare and Medicaid as options for care. These can be viable in certain circumstances, but aren't without drawbacks and limitations.

Pros	Cons
· Government-paid program	· Can be difficult to navigate administratively · Medicare generally only covers acute care on a short-term basis · Medicaid, typically, requires you to below a certain income to qualify

Source: Medicaid.gov.
Medicare.gov

Retirement savings/401(k)

Some feel that using 401(k) and retirement savings is a viable solution for paying for care, but typically, these funds are best reserved for funding one's lifestyle during retirement and are not recommended for use during working years.

Pros	Cons
· Tax-deferred savings program · Many people are already saving in their 401k for retirement	· Financial penalties if you access benefits prior to retirement · Can disrupt retirement plans if accessed for long-term care rather than costs for a planned lifestyle

This information should not be construed as legal, tax, investment, financial or other advice.
Please consult with specialized experts for detailed advice for your situation.

Standalone long-term care insurance

Standalone long-term care insurance can be offered at work or purchased through an insurance provider. It can be a viable solution that, as the name suggests, provides benefits to help cover the costs of long-term care.

Pros	Cons
· Often have rich long-term care benefits available · Longer duration of care benefits	· Few carriers in the market · Typically a higher cost solution · Usually, if care benefits aren't used, no benefits are paid

Hybrid life insurance with long-term care benefits

A hybrid product combining life insurance and long-term care allows people to purchase life insurance coverage that includes the ability to advance part of the death benefit for care needs. It can be a practical solution with guaranteed use of benefits.

Pros	Cons
· Guaranteed use of benefits – either long-term care or death benefit · Typically the younger you purchase coverage, the lower your premiums · May include benefits for family caregiving as well as professional care	· Set duration of long-term care benefits · Limited options for inflation growth · In some cases, using long-term care means using up the death benefit

Support programs to address care

Finding solutions for funding care will help employees protect their finances and alleviate the burden on their families should they need care. Financial protection is a critical part of the solution, but it doesn't provide support to employees who are also caregivers.

Some insurance products include benefits for both professional and family care to help support informal caregivers.

Employee assistance programs

The right employee assistance program (EAP) can help employees navigate the challenges they may face as a caregiver. Whether it's care planning tools and strategies or access to tools that can help them manage difficult aspects of care, there are a wide range of resources. These can include, but are not limited to:

- Care planning services
- Care needs assessments
- Help finding and evaluating care
- Life insurance claims support
- Long-term care claims support
- Home care placement assistance
- Legal support for wills, power of attorney, etc.
- In-home loneliness solutions
- Relocation support

These programs are sometimes paired with an enrollment in a long-term care or hybrid life and long-term care product to provide a comprehensive solution to the challenge of long-term care.

Employee communication

It's important to note that employee communication is critical when introducing employee support programs or new benefits for financial protection. This communication helps support the success of the program, it helps drive participation and it helps drive appreciation for the employer who offers a thoughtful benefits package. It's an area where many fall short today:

52%

Just **52%** of employees say they understand life insurance benefits offered by their employer "very well"

Source: Harnessing growth and seizing opportunity. LIMRA. 2021

41%

Just **41%** of employees feel their employer communicates about life insurance "very well"

Source: Harnessing growth and seizing opportunity. LIMRA. 2021

Be thoughtful about your benefits communication – it pays dividends for employees and employers.

Employee education → **Increased benefits understanding** → **Greater satisfaction and participation** → **Greater employee financial security** → **Greater employer loyalty and increased productivity**

Long-term care legislation and the future

The need for care, the costs and the many people in need of a solution have many state governments taking notice. A growing number of them are looking at enacting legislation to address the issue of care or, in the case of Washington state, have already taken action.

Why are states considering and/or enacting legislation?

The driving forces behind states' decisions to consider legislative action seem to be two-fold:

1. Costs to the state – The states may see the costs to their Medicaid programs as unsustainable. As we referenced above, Medicaid can be a solution for people who don't have the means to cover their care. Coupled with the rising need for care, it places a huge burden on these programs and creates a need to either raise money to support care through taxation or ensure that residents have the means to protect themselves through long-term care coverage of some form.
2. The need for care – The other likely factor is more straightforward: Americans are at risk. Far too often, people and their families are put in financial peril or forced to bear a difficult burden to manage care. In some cases, they're jeopardizing their hard-earned savings and 401(k) earnings to provide for care. State legislators are taking action help their citizens with the rising need for long-term care.

Washington takes action:
The Washington Cares Fund

In 2021, Washington became the first state to enact legislation to address the need for long-term care. The Washington Cares Act provides financial support for long-term care for Washington residents who haven't opted out of the program. While the implementation of the tax has been delayed and is subject to potential future changes, the current legislation in a nutshell is as follows:

- Funded by a payroll tax of 58 cents for every 100 dollars of income
- Washington employees were offered a one-time opt out if they had proof of qualifying long-term care coverage
- To opt out, coverage must have been purchased by the opt-out deadline
- For those in the program, they have access to ~$100/day for 365 days of long-term care services

This is based on Trustmark's interpretation of the legislation as currently drafted.

What will legislation look like?

While the state of Washington may provide a rough blueprint, the simple truth is that legislation could be different in every state. In Washington, employees were able to opt out of the program if they could prove they had qualifying long-term care coverage. Other states may have different requirements that don't include an opt-out option. What's clear is that, regardless of whether your state is considering legislation, employees need solutions today.

Where do we go from here?

Many people have experienced the impacts of care firsthand. Whether it's seeing the financial cost of care for a family member or witnessing the strain put on a friend caring for a loved one – the care crisis is all around us; in our neighborhoods, in our workplaces or even in our own homes. The question is: what will we do about it? Certainly there are options, but there is one-size-fits-all solution.

Want to find a long-term care solution that works for your clients or your employees?

Reach out to a Trustmark representative to see if we can help. Find us at **trustmarkvb.com**

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