Healthcare Reform MAGAZINE Trusted Voice of Healthcare Reform

Published on : September 06, 2012

Why would an employer offer group long-term care insurance?

Unlike group health insurance wherein the same coverage is required to be offered to all employees, group long-term care insurance may be designed to offer different plans to different groups within the worksite. For example, an employer can “carve out” a group of individuals, typically the executive team. When the employer designs a benefits-rich plan, that is employer paid, that an executive can take with him/her into retirement, another link to the “golden handcuffs” has been added. In addition, when the spouse/partner or extended family member of one of the executive team needs long term care, the executive team does not suffer the affects of presenteeism hence preserving the employer’s business plan. When a business owner is planning an exit strategy and a way to perpetuate the business, long-term care is typically not brought up by the owner’s exit strategy planner.

The group long-term care policy may be used to recruit, retain and reward employees. Some employers will offer to pay for a portion or the entire premium after an employee has been with the company for a certain period of time as a reward or as an incentive to keep employees on board or as a way to recruit valuable talent. Understanding basic tax advantages for all types of entities is a plus.

A group long-term care insurance policy fills in the “missing piece of the healthcare puzzle”. So how does group long-term care work in tandem with group health and group disability insurance? During active working years, full-time skilled care (typically hospital stays) and part-time skilled health care (typically physical therapy or rehabilitation) is covered by group health insurance. Lost income during a caregiving situation is replaced by a disability policy. The long-term care policy provides the residual income to hire a caregiver. Hence, all health care costs are covered; skilled and custodial. In addition, the long-term care policy protects the 401(k) or 403(b) from custodial care (long-term care) expenses. Most individuals do not have a separate savings fund for long-term care expenses. When faced with a long-term care situation, the retirement portfolio is typically the first place to access funds.

During retirement, Medicare Part A and B and the Medicare Supplement typically cover full-time and part-time skilled care and the retirement portfolio provides income. The long-term care policy protects the retirement portfolio from long-term care expenses. Medicare does coordinate benefits with long-term care so some knowledge of Medicare does help when assisting with the claims-filing process.

A long-term care policy is a financial planning tool and when implemented in the worksite, provides financial wellness for employer and employees alike.

About The Author

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Linda earned the Long-Term Care Professional designation from America's Health Insurance Plans (AHIP) in 2005 and the Certified Senior Advisor designation from the Society of Certified Senior Advisors in 2006. She is CEO of Long-Term Care Consultants, Inc. a dedicated long-term care insurance agency. Although Linda has been in the insurance industry since 1989, she has specialized in long-term care insurance since 2001.

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