

PROS AND CONS OF EMPLOYER-SPONSORED LONG-TERM CARE INSURANCE

More and more employers are offering long-term care insurance as an elective employee benefit, often at an attractive price and easy to purchase. But should you take it?

Anyone in their fifties or later and with assets to protect should consider buying a long-term care policy. And even younger people may want to consider it—as happened to Christopher Reeves, misfortune can strike at any age. For a long time, the only choice was to buy an individual policy, but increasingly employers are making group coverage available, with premiums usually paid for by the employees with after-tax dollars. More than a third of large companies now offer LTC insurance as an employee benefit, according to the American Council of Life Insurers. And the nation's largest employer, the federal government, unveiled in 2002 a group policy available to 20 million current and retired federal workers and their families.

While group policies may be appropriate for some workers, many workers may be better off buying an individual policy, say many CERTIFIED FINANCIAL PLANNER™ professionals. Consequently, if your employer offers a plan at work, compare it carefully with individual plans on the market before making a decision. On the other hand, if the employer's window for signing up is short, and you don't have time to do all the comparison work, you might consider taking the group policy with the idea that you may drop it later if you qualify for a better individual policy.

The principal appeals of employer-sponsored policies are easier qualification, less paperwork and group rates.

Typically, it is easier to qualify for a group policy from a health standpoint than for a policy you buy on your own. In some cases, plans take all employees who sign up regardless of current health. Employees with health problems who might not qualify for an individual policy will

probably want to grab a group policy. Healthy workers, however, should shop around before committing. They may find better deals on the open market.

Another major attraction for group plans is that they provide coverage at group rates, which typically are lower than individual rates. But the discount isn't always as great as it might appear, and sometimes you miss out on discounts you could get on your own. For example, in addition to a discount for excellent health, you might receive a discount if both you and your spouse buy a policy from the same insurer.

Group policies also appear attractively priced because they typically offer limited benefits. For example, the federal program reimburses home health care costs at only 75 percent of the maximum it pays toward the nursing home benefit, and some group policies may pay at only 50 percent of the nursing home rate. Private policies, on the other hand, typically pay the same daily benefit for either care. Group plans also may not pay for assisted living, an increasingly popular choice for care, or for hospice or respite care.

Protection against long-term inflation is critical for a type of insurance that may not be used for 25 years or more. That \$100-a-day coverage you buy today might cover less than half the bill two decades from now. With private policies you can buy an inflation rider that goes up every year—say five percent of the previous year's daily coverage benefit. You'll have to pay more for this kind of protection, but it's worth it. Some employer-sponsored policies provide inflation riders, but more often they simply allow you to periodically buy additional coverage—at a higher premium because you're older. These policies also may have lifetime benefit caps.

Another feature of employer-sponsored plans to look at is portability. Be sure the plan is convertible to individual coverage when you leave the employer, and find out if the premiums will rise upon conversion.

Whether a group plan is right for you or not, perhaps the biggest benefit is that the offering of such plans will prompt more people to consider buying a type of insurance they typically ignore. So, if your employer makes long-term care insurance available, use it as an opportunity to explore the product seriously. And if your employer isn't offering it, and you're a candidate, consider buying it on your own anyway.