

Long-Term Care Insurance: What Employers and Plan Sponsors Need to Know

by | Steve Cain

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Most people will need some form of long-term care (LTC) as they age. Employers can play a role in helping workers plan and pay for LTC expenses.



Planning for extended health care events, also known as *long-term care (LTC)*, is becoming an integral part of retirement planning in the United States due to increasing longevity, retirement savings shortfalls, the rising cost of care, and the growing strain on social programs including Medicare and Medicaid.

More than 40% of employees surveyed believe that they are somewhat or extremely likely to need LTC support and services as they age, according to a recent Employee Benefit Research Institute (EBRI) report.¹ Many also believe that LTC insurance is important, a Transamerica report shows, with 81% of employees surveyed saying that LTC insurance was somewhat or very important.² However, only 25% of employers offer this coverage, according to the report. In addition, the EBRI report showed that 9% of eligible employees were enrolled in LTC insurance offered by their employer.

Shifting demographics, personal experience with LTC and state legislative activity are boosting employer and consumer awareness of LTC needs and insurance products. Sales of LTC insurance are also increasing, according to LIMRA.³

This article will describe the benefits of LTC insurance planning, as well as the potential challenges or disadvantages of worksite LTC insurance programs. For employers that elect to offer LTC insurance, it will offer tips for open enrollment.

What Is Long-Term Care?

LTC is the care a person may need if they are unable to perform basic daily activities, also referred to *activities of*

daily living (ADLs), on their own for an extended period (90 days or more) due to an injury, illness or cognitive impairment. ADLs include tasks such as eating, bathing, dressing, transferring and using the bathroom.

Most people know someone who needs LTC support or services. This type of care may be provided in the home or in a facility. The cost of formal LTC services and support is significant. A 2024 survey by Genworth and CareScout found that the median annual cost of a home health aide in the U.S. is \$77,792, while the national annual median cost of a semiprivate room in a nursing home is \$111,325. This cost is expected to increase significantly over time due to inflation and increased demand.

The following statistics provide a picture of the possibility of needing LTC.

- About 56% of adults turning age 65 between 2021 and 2025 were projected to have at least some significant need for LTC services and supports over their lifetime, according to a 2022 U.S. Department of Health and Human Services report.⁵
- The average length of disability requiring LTC support and services is 3.6 years for women and 2.5 years for men.⁶
- LTC claims that exceed one year will average 3.9 years.⁷

Paying for Long-Term Care

Many people wrongly assume that Medicare or Medicaid pay for LTC expenses. Medicaid is the largest payer of LTC services, but recipients must be in poverty to receive benefits. Medicare covers only about 10% of all LTC services.

There are limitations and qualification challenges with both Medicaid and Medicare, which leaves most employees with two ways to pay for an LTC event.

1. **Self-insure:** They may use personal savings and/or receive care from a family member.
2. **LTC insurance:** They may buy a policy to help pay for extended health care services either at home or in a facility setting. LTC insurance will pay for care in a variety of settings, based on the policy holder's individual needs. Policy benefits are triggered when either a person is unable to perform two of six specific ADLs or needs supervision due to a severe cognitive impairment, such as dementia or Alzheimer's disease.

takeaways

- A significant portion of employees believe that they are somewhat likely or extremely likely to need long-term care (LTC) support and services as they age. One survey found that the median annual cost of a home health aide in the U.S. is \$77,792, while the national annual median cost of a semiprivate room in a nursing home is \$111,325.
- Medicare covers only about 10% of all LTC services, and Medicaid requires recipients to be in poverty to receive benefits. Other than those options, those needing LTC must pay for it themselves, receive care from family members or finance with an LTC insurance policy.
- While employees are interested in purchasing LTC policies, they are offered by only 25% of employers.
- Advantages of worksite LTC insurance programs include guaranteed issue for most employees, availability of payroll deductions and 100% portability. Disadvantages may include expense and complexity.

Medicare and Long-Term Care

The following excerpt from *Medicare and You 2026* provides additional details about the long-term care expenses that Medicare will not cover.

“Medicare and most health insurance, including Medicare Supplement Insurance (Medigap) don’t pay for non-medical long-term care services, including care in a nursing home or in the community . . . This includes personal care assistance, like help with everyday activities, including dressing, bathing and using the bathroom. Non-medical long-term care services may also include adult day health care, personal care, transportation, home-delivered meals, and other home-and community-based services. You may be eligible for some of this care through Medicaid (if you meet eligibility requirements in your state), or through private long-term care insurance. You can also pay the costs for long-term care yourself. You can get non-medical long-term care services at home, in the community in an assisted living facility or in a nursing home.”



The Role of the Employer

Some employers have been adding elder-care and caregiving support programs for employees caring for loved ones, but employers that want to enhance their workers’ financial security may want to consider offering group LTC insurance to their employees.

Employers have a variety of reasons for offering LTC insurance. They are conscious of rising health care costs, and many leaders may have personal experience with LTC challenges faced by their loved ones. Employers are also increasingly focusing on financial wellness, and group

LTC insurance may complement retirement readiness and financial wellness programs while also helping to protect workers’ 401(k) or other retirement savings.

In addition, many states are exploring programs to help their residents finance LTC and reduce the state’s future Medicaid expenses. The state of Washington implemented a publicly financed LTC program in 2021 called the WA Cares Fund.

Worksite LTC Insurance Programs

The worksite LTC insurance marketplace has changed significantly over the last 15 or more years. Some carriers have suspended sales and exited the market. Others have made premium increases to in-force policies, while others are growing with the introduction of new products.

The market is offering more innovation with new products, features and benefits.

The worksite market started with standalone (traditional) plans, then pivoted to multilife standalone coverage, and now is dominated by combination life insurance and LTC policies, which often have wider appeal.

A recent LIMRA report indicated that in the individual retail market, linked-benefit life/LTC products with LTC or chronic illness riders now represent about a quarter of all life insurance sales.⁹ The increasing popularity of these products can be attributed to a number of factors, but the key reason is that people are interested in their beneficiaries being able to receive life insurance proceeds if the LTC benefits go unused. Plans that combine life insurance and LTC allow early access acceleration of the death benefit. Most products also include an extension of a benefits rider once the initial benefit has been exhausted. As mentioned, if no LTC is needed, the plan pays a life insurance benefit to family beneficiary upon death.

The combined option also appeals to both younger and older employees. Many employers see these products as life-stage planning—Younger employees may be interested in the life insurance component because it’s guaranteed issue and fully portable, and employees thinking about or nearing retirement may be focused on being able to pay for LTC if they need it.

Advantages of Worksite LTC Insurance

Employees can purchase LTC on the individual or retail market, but it can be harder to acquire because they are subject to full medical underwriting. According to the

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American Association of Long-Term Care Insurance, individual LTC insurance decline rates at typical buying ages range from 15% to 25%.¹⁰

On the other hand, worksite LTC insurance programs typically offer the following advantages for employees.

- **Guaranteed issue for most employees:** This means that employees won't have to submit health information to qualify for a policy.
- **Simplified issue or guaranteed issue for spouses/domestic partners:** Partners may be subject to some medical underwriting, but it is often less stringent than on the individual market.
- **Dual-purpose product design (life insurance plus LTC).** Most products sold in the worksite are of this type.
- **Payroll deductions or direct-bill options are available.**
- **Programs have 100% portability (no penalty or additional cost if an employee retires or leaves the group).**
- **Group rate structure pools risk across the employee population, so rates are typically lower than individual rates.**
- **Rates are gender neutral.**

Employers can offer these policies on a voluntary (employee-pay-all) basis.

LTC Insurance Challenges

There remain challenges with LTC insurance, including the following.

- **Employees' lack of discretionary income:** Depending on the age of the policy holder when the policy is issued, LTC premiums can be expensive, and employees may not have the income to purchase additional voluntary benefits. For example, worksite LTC insurance premiums could range from \$1,500 to \$2,000 per year for employees in their 50s.
- **Lack of education and poor understanding of the LTC risk:** Employees may not be knowledgeable about LTC expenses and the likelihood that they will need it.
- **Perceived complexity of the product:** Employers will likely need to provide extensive education on these policies.
- **Higher rates for some participants:** For example, smokers will have higher rates than nonsmokers.
- **Limited inflation protection:** Benefits remain level for most products and will not increase with inflation.
- **The life insurance benefit may be exhausted** if the LTC event carries a significant expense.

Implementing a Worksite LTC Program

Choosing a Product and Vendor

Employers looking to offer a worksite program may want to consider the following when choosing a product and vendor.

- **Commitment to the marketplace and LTC insurance expertise**
- **Financial strength**
- **Data security and privacy protocols**
- **Strong technology and administration**
- **Proven track record of success (enrollment methodology)**
- **Competitive pricing**
- **Strong underwriting offers**
- **Robust employee communication and education**
- **Dedicated account manager and service team**

Enrollment Best Practices

Successful worksite LTC insurance enrollment won't get 100% participation, but its goal should be 100% employee awareness of the offering. This requires a robust education and communication strategy to build awareness. Suggestions include the following.

- **Off-cycle enrollment:** Because LTC insurance as a new benefit requires a fair amount of employee education, an off-cycle enrollment is likely preferable. Offering this benefit outside of the usual annual enrollment cycles will help avoid confusing employees. Online enrollment is also preferable.
- **Frequent and bite-size email communications:** Communications should be educational and allow employees who are not interested to opt out.
- **Education:** Effective methods include live and on-demand webinars, an employee microsite with a live chat function, and support from enrollment consultants who can meet individually with employees and spouses/domestic partners.
- **Personalized rate quotes:** These will help employees determine the suitability and affordability of this benefit.

Conclusion

Retirement planning should include consideration of LTC expenses. In addition to providing workplace finan-

bio



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cial wellness and retirement planning programs, employers may want to evaluate offering LTC insurance as a voluntary benefit. 🗣️

Endnotes

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