Long-Term Care Insurance as a Retirement Income Security Product

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Presented to an EBRI-ERF Policy Forum
Will Today’s Workers Retire With Adequate Income? And, How Are Today’s Retirees Surviving from a Financial Perspective?

December 5, 2002
Why am I here?

• Long-term care and long-term care insurance are retirement income security issues.

• Key findings from recent ACLI research
  - Among policy owners, long-term care insurance is an integral part of retirement planning.
  - Interest in private coverage is increasing, even among “younger” individuals.
  - Linking long-term care education to retirement planning may promote coverage.
Individual policy owners’ belief in the role of LTC in retirement planning

- Very important: 70%
- Somewhat important: 28%
- Not important: 2%
Importance of LTC in retirement planning among group enrollees

**Under age 50**
- Very important: 67
- Somewhat important: 31
- Not important: 2

**Ages 50-59**
- Very important: 60
- Somewhat important: 37
- Not important: 3

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Individual policy owners under age 65, by date of LTC insurance purchase

Percent

1992-96: 29%
1997-99: 39%

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Importance of LTC planning among owners with different financial resources

- **Limited resources**
  - Very important: 77
  - Somewhat important: 22
  - Not important: 1

- **Moderate resources**
  - Very important: 73
  - Somewhat important: 25

- **Substantial resources**
  - Very important: 66
  - Somewhat important: 31

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Consideration given to paying for LTC among potential enrollees

- Learnt about retirement and LTC planning: 58% have given a great deal of thought, 42% have given little or no thought.
- Learnt about LTC planning: 44% have given a great deal of thought, 56% have given little or no thought.

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Realities of long-term care

• One-half of women and 1/3 of men will require a nursing home stay at some point in their lives.
• Estimated average annual cost of a nursing home stay was $55,000 in 2000.
• Home care is about 1/3 this amount.
• The average monthly base price for assisted living facilities in 2001 was $2,159.
Realities of long-term care

• By 2050,
  20% of population will be age 65-plus.
  LTC expenditures at $400 billion (real).

• Who currently pays:
  Medicare/Medicaid 59%
  Out-of-pocket 23%
  Private LTC insurance 11%
  Other 7%
Is private LTC insurance up to the task?

• 3.4 million policies in force.
  - Individual policies: 2.5 million
  - Group policies: 900,000 group

• 600,000 policies issued in 2000.
  - Individual policies: 500,000
  - Group policies: 100,000

• Among current elderly, fewer than 10% have purchased private LTC insurance.
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