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Time Has Come For Long-term Care

By: Greg Pearson

Are Canadian employers ready to embrace offering long-term care (LTC) coverage to their employees? The current evidence would suggest that Canadian employers have been virtually silent on the issue. The number of Canadian employers offering LTC coverage to their employees could be counted on one hand.

The factual argument for the need to incorporate LTC coverage into an employer's offering is compelling from both sides – both the employer and the employee. Depending on the severity and length of time a person needs long-term care, the costs are significant.

Long-term care is not covered under the Canada **Health** Act and is a provincial responsibility with services and subsidies differing depending on a person's province of residence. The average cost for long-term care in public facilities varies by province, but can range from \$2,500 to \$7,000 a month.¹ Most provincial governments determine cost for long-term care to the individual based on an income test. The province of New Brunswick, however, does consider income and assets in the determination of subsidy.

If the trend seen in other industrialized nations (as the population ages and the financial costs grow) holds true, it would be reasonable to expect that in the near future assets will be taken into consideration for the eligibility of long-term care services in most provincial long-term care plans.

Handful Of Insurers

Currently, only a handful of insurers offer LTC on individual and affinity platforms in Canada. Only two companies provide LTC to the employer market on either a mandatory or voluntary offering basis.

The information below explores what LTC coverage is and how incorporating this coverage into an employee benefit package could help provide meaningful solutions to employees.

At its most basic, long-term care insurance provides financial benefits intended to help pay for, offset, or minimize the costs for care when an individual is left functionally dependent because of injury, sickness, or severe cognitive impairment. In other words, this person is unable to bath, dress, feed, transfer (move), go to the bathroom, or maintain continence without substantial assistance. This also includes individuals with severe cognitive impairments in need of constant supervision. These activities are referred to as activities of daily living, or ADLs for short.

The LTC products currently available in Canada generally stipulate that an individual must be unable to perform two or more of these ADLs or have a severe cognitive impairment (for example, dementia related disorders such as Alzheimer's) to make a claim.

Often In Home

Long-term care occurs most often in the home and to a lesser degree in a long-term care facility or similar healthcare facility.

Benefits from LTC coverage are usually paid out after a waiting or elimination period (0, 30, 60, 90, or 180 days) in daily, weekly, or monthly benefit amounts. Benefit periods range from one year up to lifetime depending on the product and underwriting considerations.

The financial benefits of the coverage are paid in addition to any government-provided benefits for long-term care. As already noted, a significant portion of the direct and indirect costs for long-term care are not funded by provincial governments in Canada.

So what are the benefits to an employer offering LTC coverage as part of their benefits package?

- A meaningful LTC benefit can be used to attract and retain valued employees. It provides a number of significant benefits to the spouse, children, and family of an individual who needs long-term care.
- As LTC is a generational concern, consideration should be given to making the parents of current employees aware of the need for LTC coverage and working with your insurer to see if a marketing arrangement can be established.
- For employers providing post-retirement benefits to retired employees, LTC can be a viable offering to enhance benefits, even if it is employee-paid.
- A meaningful post-retirement benefit can help protect a former employee's assets from depletion.
- LTC coverage should ideally be structured in a similar way as pension planning in that younger employees fund a significant future risk – with relatively small premium contributions over a long period of time – so that coverage can be available in post-retirement years when it is most likely to be used.
- This coverage ultimately gives individual employees facing long-term care dignity and choices, while maximizing independence.
- Long-term care insurance can be an important supplement to long-term disability benefits for employees in their working years since LTC may cover the cost of care for severe disabilities that can occur during an employee's prime earning years.

Employers are already faced with the cost of LTC whether they realize it or not. In fact, Statistics Canada estimates that there are more than 2.8 million Canadians providing care to people with long-term healthcare problems.² Many of these caregivers are also employees who are stretched to the limit, often taking care of their own families in addition to their aging parents. Employees are facing the stressful emotional and financial burdens of care giving and it is likely that a great number of these individuals will have a future need for long-term care as well. The lost productivity and added health burden on employers and employees is enormous. Adding this product to a benefits program can go a long way toward helping employees manage the competing demands of work and life – immediately and into the future. ■

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1. Canadian Senior Years – Ken McNaughton, CFP, CLU, CH.F.C 2. Citizens for Mental Health – Canadian Mental Association, January 2004 The findings, interpretations, and opinions expressed in the published materials are those of the author of the work only.