

Size of the Employer and Self-Employed Markets Without Access to Long-Term Care Coverage Options

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This series summarizes current issues in financing long-term care and outlines policy options for increasing affordable access to services.

Executive Summary

Several demographic and economic factors are increasing the public dialogue concerning policy options for Americans to adequately finance their future long-term care service needs. Given that employers represent the primary source for health and welfare benefits, proposals for expanding access to long-term care financing options inevitably look to employers as a primary communication and distribution channel. In order to assess the feasibility of proposals that rely on employers, questions about current employee access and coverage need to be addressed. This brief seeks to answer the question of how many employed individuals (who work for large companies, small companies, or are self-employed) do not currently have access to long-term care coverage. This brief also considers the characteristics that make different types of employers strong or weak prospects for long-term care planning options.

The key findings from the analysis are highlighted below:

1. The population of U.S. employees is concentrated in large companies: The distribution of employers and employees show opposing patterns. The distribution of employers

is highly skewed to the smallest companies, whereas the distribution of employees is skewed towards large employers.

Approximately 80% of all U.S. companies have between 1 and 4 employees, but the majority (55%) of all US workers are employed by companies with 250 or more employees, and 13% are concentrated within 0.01% of employers (those with 20,000 or more employees). As an extreme case of the Pareto principle (the “80/20 rule”), 80% of all U.S. workers are concentrated within only 9% of U.S. companies. Conversely, the 80% of all U.S. companies with 1 to 4 workers represent only 15% of the work force.

2. Larger companies are more likely to sponsor long-term care coverage: A total of 33,710 companies (with at least two employees) currently sponsor either group or multi-life long-term care coverage at the worksite, representing only one-third of one percent of all such companies. This leaves approximately 10 million companies with two or more employees (99.7% of such companies) who do not currently offer long-term care coverage. This “company-level” result is overwhelmingly driven by the disproportionately high number of small companies (who are less likely than large companies to offer long-term care) and thus does not reflect the distribution of employment, which skews toward larger companies. Indeed, larger employers are more likely than smaller employers to make long-term care coverage available to their employees: although the rate of access is only 5% for establishments with less than 100 employees, it is 20% in companies with 100 or more employees.

3. Growth of employer-sponsored long-term care coverage has been flat: The number of companies offering long-term care coverage and the number of employees with access to long-term care had been increasing since 1998 across all company sizes. The largest increases in sponsorship have been among companies with 10,000 employees or more. A corresponding increase in the rate of employer sponsorship of long-term care coverage is apparent within certain industries, with the largest increases in financial services and government.

Correspondingly, the number of employees with access to long-term care has increased over the same time period. After a sharp increase in employee access from 2000 to 2003 reflecting the initial offering of the Federal Long-Term Care Insurance Program to federal employees, the rate of employee access has remained relatively flat at 12%. Over the past two years, however, all major group long-term care insurance carriers have stopped selling this product to new employers.

4. Twenty percent of U.S. employees have access to employer-sponsored coverage: We estimate that approximately 28 million employees currently have access to employer-sponsored long-term care coverage, representing approximately 20% of the total workforce. The remaining 80% (approximately 112 million employees) do not have access to this benefit. As expected, the overall rate of employee access is far greater than the overall company-level sponsorship rate because overall employment tends to be concentrated within larger companies with a higher rate of sponsorship.

5. Seventeen percent of self-employed have coverage: There are approximately 16 million self-employed individuals in the U.S. and about 17 percent have long-term care coverage leaving approximately 14 million (83%) without coverage.

6. Twenty percent of small business owners have coverage: Approximately 20% of small business owners have long-term care coverage, resulting in approximately 2 million covered small business owners. This leaves 7.5 million small business owners without long-term care coverage (80%).

7. An untapped market of 134 million workers: When all of the above estimates are combined into a total representing all U.S. workers and business owners, we estimate that 20% either have access to an employer-sponsored plan (employees) or already own an individual policy (self-employed/small business owners), and 80% either do not have access to coverage (employees) or do not own a policy (self-employed/small business owners). It is estimated that there is an enormous untapped market of 134 million workers: 112 million employees who do not have access to long-term care coverage through the workplace, and another 21.5 million self-employed and small business owners without coverage.

8. Employers can be prioritized based on their benefits infrastructure and having addressed immediate health priorities: Since the vast majority of workers do not have access to long-term care coverage, the following criteria were used to screen the pool for those employees who represent the best fit for an offer of coverage.

Benefits infrastructure: Employers considered most suitable for a long-term care coverage option are those who (a) already offer at least one voluntary benefit to their employees and (b) already use automatic enrollment for their defined contribution plan.

Having addressed immediate health coverage priorities: Employers considered most suitable to offer long-term care coverage to their employees are those who (a) already offer health insurance to their employees and

(b) already offer dental insurance to their employees.

Of the 4 million companies who either offer health and dental insurance or offer at least one voluntary benefit and automatic enrollment for their defined benefit plan, the best initial prospects for offering long-term care coverage options are the qualifying companies with 5,000 or more employees, due to their concentration of employees. There are between 1,500 and 1,600 such companies representing more than 15 million employees.

9. Considerations for Expanding Long-Term Care Coverage Options:

a. Focus on Mid-Size and Larger Companies:

Because 80% of all U.S. workers are concentrated within only 9% of U.S. companies, targeting mid-size to large employers (the 64,000 companies with 250+ employees) who do not yet sponsor long-term care coverage, is the most efficient means of reaching the greatest number of employees. Three complementary strategies are recommended:

- Targeting the 24,000 less suitable mid-size to large employers who have not yet sponsored a plan via lower-cost coverage options to match the lower salaries in the retail and service industries.
- Targeting the 19,000 existing mid-size to large employers who already sponsor coverage with a lower-cost offering alongside their existing coverage options to reach the 95% of eligible employees who have not enrolled in the original plan.
- Targeting the 3,000 most suitable companies (those offering health and dental coverage, other voluntary benefits and automatic 401(k) enrollment) who currently do not offer long-term care coverage options.

b. Self-Employed and Small Business

Owners: Because self-employed and small businesses only represent about 20% of the workforce and account for roughly 80% of employers, reaching these employees would be challenging and costly due to their high degree of dispersion. To maximize the efficiency of providing coverage options to small businesses and their owning and non-owning employees, we recommend consideration of the following:

- The roughly 21 million small business owners and self-employed without long-term care coverage may represent the most suitable candidates for coverage at the smaller end of the employment continuum. Outreach to the self-employed and small business owners through bodies such as the Small Business Administration or local Chamber of Commerce should be explored as a mode of concentrated marketing to these otherwise dispersed populations.
- The challenges in reaching these employees suggests that self-directed, online distribution would be needed to provide small business employees access to long-term care coverage options.

Introduction

Several demographic and economic factors are increasing the public dialogue around needed policy options and pathways for Americans to adequately finance long-term care services. Given that employers represent the primary source for health and welfare benefits, proposals for expanding access to long-term care financing options inevitably look to employers as a primary communication and distribution channel. In order to assess the feasibility of proposals that rely on employers, questions about current employee access and coverage need to be addressed. This brief seeks to answer the question of how many employed individuals (who work for large companies, small companies, or are self-employed) do not currently have access to long-term care coverage.

In order to estimate the size of the working population without access to coverage, we must first estimate both the size of the overall working population and the number of employees who currently have access to coverage. The difference between these figures then provides an estimate of the population without access to coverage through their employers.

This brief seeks to answer the question of how many employed individuals do not currently have access to long-term care coverage.

Sizing the Employer Market

Source

The Dun & Bradstreet database was used in order to obtain the best estimate of the number of employers in the U.S.¹ This database includes information on locations, industries, and number of employees and is built from financial statements of both publicly and privately held companies covering over 16 million U.S. companies. Every company in the U.S. is assigned a unique Data Universal

Numbering System (DUNS) number, which is used to organize and track companies and their credit histories. The database is researched, verified, and updated on a monthly basis. The decision was made to use the Dun & Bradstreet database instead of estimates from the Department of Labor's Bureau of Labor Statistics (BLS) for estimating the number of employers by region and number of employees due to the fact that BLS counts represent numbers of *establishments* (work locations), not companies.^{2,3}

Industry

We employed the data summarization system used by Dun & Bradstreet (the Standard Industrial Classification system, SIC) with 11 distinct industry codes. Since larger companies often compete in multiple industries, we avoided duplication by counting companies only within their single primary Standard Industrial Classification (SIC) code (see Appendix Table 1).

Number of Employees

In order to obtain accurate estimates of employment, *number of employees* ranges are based on the number of employees per company who work at all company work locations, not just those within a particular geography (see Appendix Table 2). Companies with a single employee and those with "unknown" numbers of employees (which tend to be very small businesses⁴) are addressed in the section on the self-employed market below.

Region

In order to report counts of companies by region, we used the regional divisions used by the United States Census Bureau of four regions representing nine divisions (see Appendix Table 3).

Revenue

Annual revenue was excluded from this analysis given that this information is highly correlated with number of employees in a company.⁵ We chose to focus on number of

employees as it is directly germane to sizing the pool of prospects for long-term care product options, whereas revenue is not.

Resulting Dataset

With 11 industry types, 9 geographic divisions, and 16 employment ranges, the result is a matrix of 1,584 cells representing counts of different types of employers.

Sizing Employment

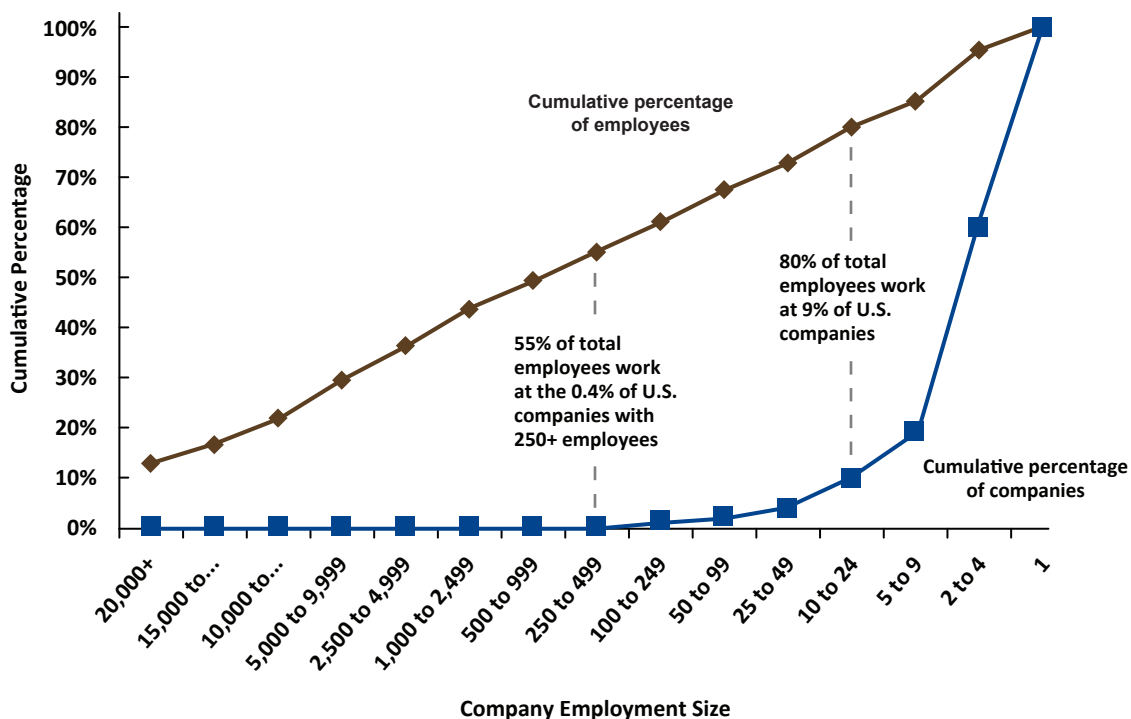
In order to estimate the number of employees in the U.S. for each cell in the matrix, we multiplied the number of employers within each cell by the lower boundary of the employment range. The lower boundary was used for two reasons. First, counts of companies consistently skew toward the low point of each range (i.e., consistently there are

a greater number of smaller companies than bigger companies within each range). Second, this method results in a more conservative estimate of employment. Using this method, we estimate total civilian employment in the U.S. at 139,273,420 individuals, a figure that comes within 3% of the seasonally-adjusted estimate made by the Bureau of Labor Statistics as of September 2012 of 142,974,000.⁶

The Distribution of Employers and Employees

As expected, the distributions of employers and employees show very different patterns (see Figure 1). The distribution of employers is highly skewed to the smallest companies. Approximately 80% of all U.S. companies have between only 1 and 4 employees; 10%

FIGURE 1 Gain Chart of Concentration of Employees by Company Employment Size



employ between 5 and 9 workers; 5% employ 10 to 24 workers; and the remaining 5% employ 25 or more workers. It is significant that 13% of all U.S. workers are concentrated within 0.01% of employers (those with 20,000 or more employees). The majority (55 percent) of all U.S. workers are employed by companies with 250 or more employees. As an extreme case of the Pareto principle (the “80/20 rule”), 80% of all U.S. workers are concentrated within only 9% of U.S. companies. Conversely, the 80% of all U.S. companies with 1 to 4 workers represent only 15% of the work force.

80% of all U.S. workers are concentrated within only 9% of U.S. companies.

Number of Companies Offering Long-Term Care Coverage

Roughly one-in-five companies with at least 10 employees offers long-term care coverage to their employees.⁷ Larger employers are more likely than smaller employers to make long-term care coverage available (see Appendix Tables 4 and 5). There has been a steady increase in the rate of companies offering long-term care coverage since 1998 across all company sizes, however the largest increases have been among companies with 10,000 employees or more. A corresponding increase in the rate of employer sponsorship of long-term care coverage is apparent within certain industries, with the largest increases in financial services and government (see Appendix Table 6).⁸

To estimate the number of companies who offer long-term care coverage to their employees, we took the average of the percentage of the industry sponsorship rate and the sponsorship rate associated with each employment range (based on Mercer survey data, 2010), and applied these averages to the Dun and Bradstreet company counts. We then multiplied that average by the total number

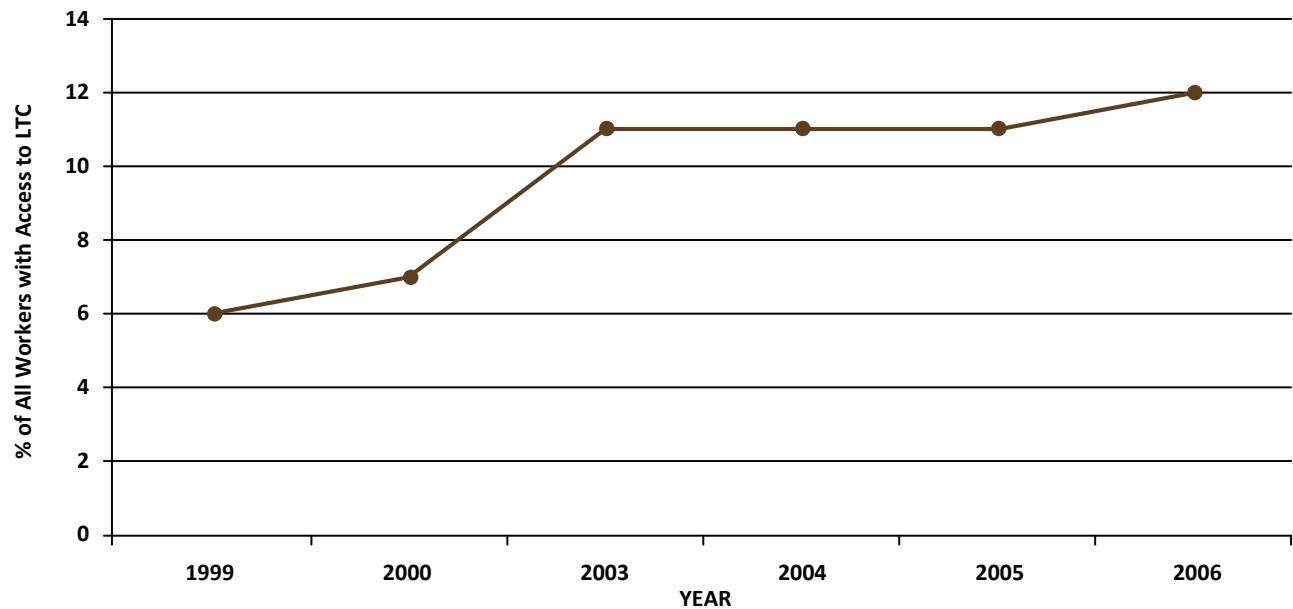
of companies in each cell to get the number of companies who offer the benefit. Because percentages were not available for Agriculture, Mining and Construction, we assumed a 16% rate for these industries (half of the average for all other industries) based on carrier experience. For those employment categories where no sponsorship rates were available (i.e., companies with fewer than 250 employees), we developed realistic estimates that were constrained by the overall number of actual group and multi-life⁹ long-term care plans in existence (see Appendix Table 7).¹⁰

We estimate a total of 33,710 companies (with at least two employees) currently sponsor either group or multi-life long-term care coverage at the worksite, representing 0.33% of all such companies (see Appendix Table 8). Conversely, we also estimate the number of companies that do not currently offer long-term care to their employees by subtracting the number of companies who are offering the benefit from the total number of companies in each cell (see Appendix Table 9), resulting in 10,087,494 companies with two or more employees (99.7% of such companies). This “company-level” result is overwhelmingly driven by the disproportionately high number of small companies and thus does not reflect the distribution of employment, which skews toward larger companies.

Employees with Access to Long-Term Care Coverage

In addition to estimating the number of companies that offer long-term care, we estimated the number of employees with access to an employer-sponsored plan. According to 2006 BLS data, 12% of all employees (excluding government employees) and 26% of state and local government employees had access to the benefit.¹¹ All federal employees have access to the Federal Long-Term Care Insurance Program.¹² As expected, the overall rate of employee access is far greater than the

FIGURE 2 % of Workers With Access to a Long-Term Care Plan by Year



overall company-level sponsorship rate because overall employment tends to be concentrated within larger companies with a higher rate of sponsorship. Individuals in companies with 100 or more employees were more likely to have a long-term care plan available to them (20%) (see Appendix Table 10).

Similar to the number of companies offering the benefit, the number of employees with access to long-term care has increased since 1999. After a sharp increase from 2000 to 2003 reflecting the initial offering of the Federal Long-Term Care Insurance Program to federal employees, the rate remained relatively flat to 2006 (see Figure 2).¹³ In order to estimate the number of employees with access to long-term care coverage, the number of employers that offer long-term care (by company size and industry) was multiplied by the lower boundary of each employment range. The lower boundary was used because counts of companies consistently skew toward the low point of each range (i.e., consistently there are a greater number of smaller companies than bigger companies within each range). The resulting matrix provides an estimated count of employees with access to

long-term care coverage by company size and industry (see Appendix Table 11).

Using this method, we estimate that a total of 27,768,564 employees currently have access to long-term care coverage, representing approximately 20% of the total workforce. As expected, this rate of access has increased from the 12% estimate of 2006. In order to estimate the number of employees who do not have access to the benefit, the number of employees with access to a long-term care plan was subtracted from the total number of employees in each cell. From this, we estimate that there are 111,504,381 employees who do not have access to long-term care coverage, or 80% of all employees (see Appendix Table 12).

Long-Term Care Coverage among Small Business Owners and the Self-Employed

Small Business Owners

While this analysis has addressed companies with two or more employees, we now incorporate information about small business

owners and the self-employed in order to estimate access for the entire workforce. We broadly distinguish between *owners* and *employees* of small businesses. *Employees* of small businesses have been a historically underserved population in terms of long-term care coverage and voluntary benefits in general; partly because they are dispersed and therefore difficult to reach and do not offer economies of scale that would make the effort worthwhile for insurers. Additionally, small businesses tend not to have large cadres of senior managers with the income to buy a variety of coverage and investment products. On the other hand, *owners* of small businesses generally have a higher socio-economic status and are more likely to purchase a variety of financial planning products.¹⁴ In recognition of these differences, the insurance industry has developed “carve out” long-term care policies funded by the company for the benefit of their executives. Because of these substantial differences between owners and employees, the pool of employees in small businesses is analyzed separately from the pool of business owners. In keeping with this distinction, the self-employed (as owners of their own businesses) are pooled with other small business owners.

Using a similar methodology as above to obtain accurate estimates of employment, *number of employees* ranges are based on the number of employees per company who work at all company work locations, not just those within a particular geography. Dun & Bradstreet provides counts of companies with the following ranges of employees (Unknown, 1, 2-4, 5-9, and 10-24).¹⁵ Although they are technically employees of their own businesses, in order to look at small business owners separately (i.e. to not double count them), we assumed one owning employee per small business and subtracted them from the total number of employees. Using this method, we estimate the total number of non-owning employees of U.S. companies with between 2-24 workers to be approximately 22 million.

A conservative estimate of the pool of U.S. small business owners (i.e., owning employees of incorporated businesses with 2-24 employees) was derived by assuming one owner for each of the companies listed on the Dun & Bradstreet database with 2-24 employees resulting in an estimated 9.5 million small business owners (see Appendix Table 13). Although these individuals are technically “employees” because their businesses are incorporated, we decided to treat them as small business owners because they generally have higher incomes to afford long-term care coverage and larger assets to protect than non-owning employees of small businesses.

We estimate a total of 33,710 companies (with at least two employees) currently sponsor either group or multi-life long-term care coverage at the worksite, representing 0.33% of all such companies.

The Self-Employed

Companies with “unknown” numbers of employees tend to be very small businesses¹⁶ and were treated as companies with a single employee (self-employed individuals). Self-employed individuals who have incorporated their businesses will be referred to in this brief as “incorporated self-employed.” The number of incorporated self-employed is based on Dun & Bradstreet’s count of the number of companies with a single or unknown number of employees, resulting in an estimated 6.6 million incorporated self-employed (see Appendix Table 13).¹⁷ However, given that Dun & Bradstreet acts as a credit rating agency for businesses, this database only includes incorporated businesses, and nearly two-thirds of self-employed individuals in the U.S. are unincorporated. Thus, for an estimate of this population, we relied on figures from the Current Population Survey listing approximately 9.7 million unincorporated self-employed in 2010.¹⁸ Combining the number of incorporated and unincorporated self-employed results in a total estimate of self-employment at 16.2 million, which closely matches the 2007 IRS number

of 16.9 million self-employed Americans.¹⁹ Nevertheless, estimates for unincorporated self-employed may be inflated due to uncertainty as to whether these businesses represent *primary* sources of employment.²⁰

Long-Term Care Coverage among Small Business Owners and the Self-Employed

For both small business owners and the self-employed, it is reasonable to estimate the incidence of *ownership* of a long-term care coverage policy instead of addressing the question of *access* to an employer-sponsored plan, since virtually no self-employed and small businesses have an employer-sponsored long-term care plan. Instead, virtually all business owners have an insurance relationship of some sort (due to the need for business insurance), and therefore theoretically have access to individual long-term care coverage.

Self-employed. Taking the sum of incorporated self-employed (6,563,500) and unincorporated self-employed (9,681,000) results in our estimate of 16,244,500 self-employed. This estimate

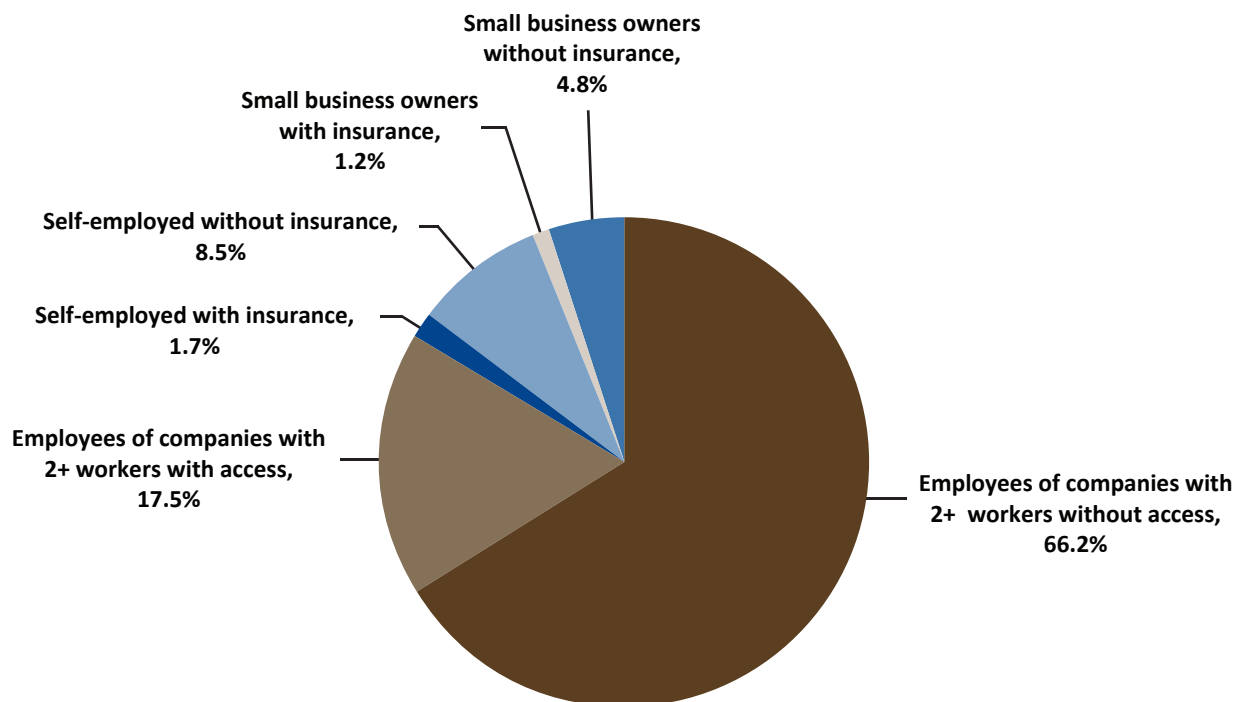
was multiplied by 16.7% rate of long-term care coverage (based on 2004 Forbes data), resulting in an estimate of 2,712,832 covered self-employed. This leaves 13,531,668 self-employed without long-term care coverage, or 83% of the self-employed.

Small business owners. We assumed that each of the 9,486,512 businesses with 2-24 employees has one primary owner. This figure was multiplied by 20.0% rate of long-term care coverage (based on 2004 Forbes data), resulting in an estimate of 1,897,302 covered small business owners. This leaves 7,589,210 small business owners without long-term care coverage, or 80% of small business owners.

Bringing the Estimates Together

When all of the above estimates are combined into a total representing all U.S. workers and business owners (see Figure 3), we find that 20% either have access to an employer-sponsored plan or already own an individual policy, and 80% either do not have access to coverage or do not

FIGURE 3 % of Total Workforce by Access to or Ownership of Long-Term Care Coverage



own a policy. Since the vast majority of workers do not have access to long-term care coverage, we turn to the issue of screening this pool for those employees who represent the best fit for an offer of coverage.

We estimate that there are 111,504,381 employees who do not have access to long-term care coverage, or 80% of all employees.

Identifying the Most Suitable Candidates for Long-Term Care Coverage

In order to define a subset of employers and their employees who are suitable candidates for offering a long-term care coverage option, we propose two broad rules of thumb: Condition A that pertains to necessary benefits infrastructure; or Condition B that pertains to having addressed immediate health coverage priorities.

Condition A: Employers considered most suitable for a long-term care coverage option are those who (a) already offer at least one voluntary benefit to their employees and (b) already use automatic enrollment for their defined contribution plan.

Voluntary benefits are benefits a plan sponsor makes available for employees to purchase with preferential rates, terms, and/or services. The offering involves a medium for education, enrollment, and contribution collection. Payroll deduction is a typical funding mechanism. Voluntary benefits are fully employee paid and are elective for the employee.²¹ Because long-term care coverage plans share many of these characteristics (offered through the employer, elective, fully employee paid, paid via payroll deduction), we propose that employers who have an established track record of offering such benefits are more likely to have the necessary benefits infrastructure and culture for offering such coverage.

To significantly improve penetration of long-term care coverage beyond the typical five percent average participation rate experienced in the group long-term care market, we suggest that

employers are suitable for offering long-term care coverage to the extent that they are willing to offer coverage via an *automatic enrollment* process, whereby employees will be automatically enrolled unless they specifically opt out. We propose that employers who currently use *automatic enrollment*²² for their 401(k) plans are more suitable for offering long-term care coverage.

Condition B: Employers considered most suitable to offer long-term care coverage to their employees are those who (a) already offer health insurance to their employees and (b) already offer dental insurance to their employees. Dental insurance is typically offered as a voluntary benefit, however, it was chosen for this analysis because of its role as a form of insurance that addresses near-term health needs.

Of the 3.7 million companies that either offer health and dental insurance or offer at least one voluntary benefit and automatic enrollment for their defined benefit plan, the best initial prospects for offering long-term care coverage options are the qualifying companies with 5,000 or more employees, due to their concentration of employees. There are between 1,515 and 1,601 of these companies, representing more than 15 million employees (one third of all qualifying employees). However, we also estimate that 1,500 companies in this employment range *already sponsor* a long-term care coverage plan for their employees (see Table 8). It is very likely that there is substantial overlap between the pool of 1,500+ most suitable companies and the 1,500 existing sponsors. Although there are an additional 2,500 companies in this employment range that do not yet sponsor a plan, these employers will tend not to be drawn from the ranks of the strongest prospects (i.e., companies that already offer health, dental, voluntary benefits, and automatic enrollment of 401(k) to their employees). Accordingly, very large employers initially seem to provide the best prospects, yet due to the saturation of the best prospects in this market, it may be more fruitful to target smaller companies where the market is less saturated.

FIGURE 4 Estimated Target Market Size for Large Employers

Qualifying Criteria	Number of Best Prospect Companies	Corresponding Eligible Employees
A. Companies that already offer at least one voluntary benefit to their employees and already use automatic enrollment for their defined contribution plan	3.7m companies (1,515 companies with 5,000+ employees)	45m employees (15.4 million employees at companies with 5,000+ employees)
B. Companies that already offer health coverage and dental coverage to their employees	3.7m companies (1,601 companies with 5,000+ employees)	42m employees (16.0 million employees at companies with 5,000+ employees)
C. Companies that already offer long-term care to their employees	33,710 companies (1,500 companies with 5,000+ employees)	27.8m employees (15.7 million employees at companies with 5,000+ employees)
D. Companies that do not offer long-term to their employees	10.1m companies (2,561 companies with 5,000+ employees)	111.5m employees (25.1 million employees at companies with 5,000+ employees)

This situation suggests three complementary approaches to introducing long-term care coverage options, based on previously unsolicited companies and re-solicitation of existing sponsoring companies.

Sales to New Large Groups

The 2,500 large employers who have not yet implemented a long-term care coverage plan represent an untapped, although not ideal, market. Well-known examples of large companies that do not sponsor long-term care coverage (due to the relatively high turnover and relatively low wages that are typical of large retail and quick service restaurants) include Wal-Mart, Target, and McDonald’s. In order to effectively reach and enroll these types of employees, low-cost, high perceived value coverage options will be needed. For such employees, voluntary benefits specialists tend to use a rule-of-thumb stating that the total cost of voluntary benefits should cost no more per week than 1 hour of pay.²³ Wal-Mart’s average hourly wage is \$10; this equates to a maximum of \$40 per month (or annual premium of \$480) available for long-term care coverage assuming no other voluntary benefits are purchased.²⁴ Presuming an offering within these parameters, we estimate that a maximum of 1,250,000 employees within the

2,500 currently non-sponsoring large companies would enroll in the plan.²⁵

Re-Solicitation of Existing Large Employer Groups

Although it appears that the most suitable large case prospects have already implemented long-term care plans, average participation in those plans hovers at approximately 5% of actively-at-work employees which leaves 95% of these workforces untapped. Thus, the 14.9 million of the 15.7 million employees of large employer (5,000+) sponsors of long-term care coverage who have not yet purchased long-term care coverage provide a potential market through re-solicitation of existing cases.

Targeting Strong Mid-Size Prospects

A third approach should be considered that seeks to identify suitable mid-sized and larger companies (250 or more employees). Given that there are 15 times as many mid-size as large companies, many suitable mid-size companies can be found among those employers who do not yet have a long-term care plan but do offer health and dental coverage, other voluntary benefits, and/or automatic 401(k) enrollment.

Using these definitions, we estimate that there are between 21,362 and 21,675 strong prospect

FIGURE 5 Estimated Expanded Market Size (Mid-Size and Larger Companies)

Qualifying Criteria	Number of Best Prospect Companies	Corresponding Eligible Employees
A. Companies that already offer at least one voluntary benefit to their employees and already use automatic enrollment for their defined contribution plan	3.7m companies (21,675 companies with 250+ employees)	45m employees (27.5 million employees at companies with 250+ employees)
B. Companies that already offer health coverage and dental coverage to their employees	3.7m companies (21,362 companies with 250+ employees)	42m employees (29.4 million employees at companies with 250+ employees)
C. Companies that already offer long-term care to their employees	33,710 companies (18,722 companies with 250+ employees)	27.8m employees (26.7 million employees at companies with 250+ employees)
D. Companies that do not offer long-term to their employees	10.1m companies (45,324 companies with 250+ employees)	111.5m employees (49.8 million employees at companies with 250+ employees)

companies with 250 or more employees, representing more than 27 million employees. Approximately 18,722 companies in this employment range *already sponsor* a long-term care coverage plan for their employees (see Table 8), and as with large companies, it is very likely that there is substantial overlap between the pool of 21,000+ most suitable companies and the 18,722 existing sponsors. However, unlike the saturated large employer market, this leaves a pool of approximately 3,000 strong prospect companies that do not currently have a plan, representing approximately 1.8 million employees. Although there are an additional 45,000 companies in this employment range that do not yet sponsor a plan, these employers will tend not to be drawn from the ranks of the strongest prospects (i.e., companies that already offer health, dental, voluntary benefits, and automatic enrollment of 401(k) to their employees).

This situation suggests two complementary approaches to introducing long-term care coverage options to an expanded market including mid-size and large employers, based on previously unsolicited companies and re-solicitation of existing sponsoring companies.

Sales to New Mid-Size and Larger Companies

In addition to the 3,000 good prospect companies, the 45,000 less optimal companies in this employment range that do not yet sponsor a plan also represent a large potential market. However, the same challenges (low wages, competing/more immediate health priorities) related to sub-optimal large prospect companies also pertain in the expanded sub-optimal market definition.

Re-Solicitation of Existing Mid-Size to Large Employer Groups

Although it appears that many of the most suitable mid-size and larger prospects have already implemented long-term care plans, average participation in those plans hovers at approximately 5% of actively-at-work employees, which leaves 95% of these workforces untapped. Thus, 25.4 million of the 26.7 million employees of mid-size to large companies that sponsor LTC coverage have not yet purchased this coverage and could, theoretically, be re-solicited.

Considerations for Expanding Long-Term Care Coverage Options

These findings demonstrate that there is an enormous untapped market of 111 million employees who have never had access to long-term care coverage options through the workplace. To expand access to long-term care coverage options, we recommend consideration of the following:

- Because 80% of all U.S. workers are concentrated within only 9% of U.S. companies, targeting large employers that do not yet sponsor long-term care coverage is the most efficient means of reaching the greatest number of employees.
- Among the pool of mid-size to large companies, the most suitable employers for offering long-term care coverage tend to already sponsor coverage for their employees. Nevertheless, focusing resources on mid-size to large employers can remain a viable strategy via three complementary strategies:
 - Targeting the 24,000 less suitable mid-size to large employers (250+ employees) that have not yet sponsored a plan via lower-cost coverage options to match the lower salaries in the retail and service industries.
 - Targeting the 19,000 existing mid-size to large employer sponsors (those with 250+ employees) with a lower-cost offering alongside their existing coverage options to reach the 95% of eligible employees who have not enrolled in the original plan.

- Targeting the 3,000 most suitable companies (those that offer health and dental coverage, other voluntary benefits and automatic 401(k) enrollment) that currently do not offer long-term care coverage options among the approximately 64,045 mid-size to large companies that employ 250+ employees.

Because self-employed and small businesses only represent about 20% of the workforce and account for roughly 80% of employers, reaching these employees would be challenging and costly due to their high degree of dispersion. To maximize the efficiency of providing coverage options to small businesses and their owning and non-owning employees, we recommend consideration of the following:

- The roughly 21 million small business owners and self-employed without long-term care coverage may represent the most suitable candidates for coverage at the smaller end of the employment continuum. Outreach to the self-employed and small business owners through bodies such as the Small Business Administration or local Chamber of Commerce should be explored as a mode of concentrated marketing to these otherwise dispersed populations.
- The most suitable companies will be those employers that already offer voluntary benefits funded through payroll deduction and/or already offer health coverage.
- The challenges in reaching these employees suggests that self-directed, online distribution would be needed to provide small business employees access to long-term care coverage options.

Appendix

TABLE 1 SIC Industries and Codes²⁶	
Numeric Codes	Industry Groups (Primary SIC)
(01-09)	Agriculture, Forestry, and Fishing
(10-14)	Mining
(15-17)	Construction
(20-39)	Manufacturing
(40-49)	Transportation and Public Utilities
(50-51)	Wholesale Trade
(52-59)	Retail Trade
(60-67)	Finance, Coverage, and Real Estate
(70-89)	Services
(91-97)	Public Administration
(98-99)	Non-Classified Establishments

TABLE 2 Employment Ranges²⁷
20,000+
15,000 to 19,999
10,000 to 14,999
5,000 to 9,999
2,500 to 4,999
1,000 to 2,499
500 to 999
250 to 499
100 to 249
50 to 99
25 to 49
10 to 24
5 to 9
2 to 4

TABLE 3 **Census Regions of the U.S.²⁸**

Numeric Codes	Industry Groups (Primary SIC)	Numeric Codes	Numeric Codes	Numeric Codes
1	Northeast	1	New England	Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut
		2	Mid-Atlantic	New York, Pennsylvania, New Jersey
2	Midwest	3	EN Central	Wisconsin, Michigan, Illinois, Indiana, Ohio
		4	WN Central	Missouri, North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa
3	South	5	South Atlantic	Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida
		6	ES Central	Kentucky, Tennessee, Mississippi, Alabama
		7	WS Central	Oklahoma, Texas, Arkansas, Louisiana
4	West	8	Mountain	Idaho, Montana, Wyoming, Nevada, Utah, Colorado, Arizona, New Mexico
		9	Pacific	Alaska, Washington, Oregon, California, Hawaii

TABLE 4 **% of Companies Offering Long-Term Care Coverage by Company Size²⁹**

	All Employers	Large Employers (500+)	Small Employers (10-499)
% of Workers with Access to Long-Term Care	22%	32%	22%

TABLE 5 **% of Companies Offering Long-Term Care Coverage by Number of Employees³⁰**

Number of Employees	Year		
	1998	2003	2010
500-999	9%	19%	27%
1,000-4,999	7%	19%	34%
5,000-9,999	11%	31%	39%
10,000-19,999	6%	35%	42%
20,000 or more	13%	44%	58%

TABLE 6 % of Companies Offering Long-Term Care Coverage by Industry³¹

Industry Groups (Primary SIC)	Year	
	1998	2010
Manufacturing	6%	23%
Wholesale/Retail	7%	25%
Services	10%	36%
Transportation/Communications/Utility	5%	23%
Health Care	9%	36%
Financial Services	13%	42%
Government	6%	39%

TABLE 7 Sponsorship Rates by Employment and Industry Applied to Dun & Bradstreet Categories³²

Number of Employees	Sponsorship Rate	Industry	Sponsorship Rate
20,000+	58%	Agriculture, Forestry, and Fishing	16%
15,000 to 19,999	42%	Mining	16%
10,000 to 14,999	42%	Construction	16%
5,000 to 9,999	39%	Manufacturing	23%
2,500 to 4,999	34%	Transportation and Public Utilities	23%
1,000 to 2,499	34%	Wholesale & Retail Trade	25%
500 to 999	27%	Finance, Coverage, and Real Estate	42%
250 to 499	22%	Services	36%
100 to 249	10%	Public Administration	39%
50 to 99	3%		
25 to 49	0.1%		
10 to 24	0.1%		
5 to 9	0.01%		
2 to 4	0.01%		

TABLE 8 Number of Companies Offering Long-Term Care by Number of Employees and Industry³³

Number of Employees at Entire Company														
Industry	20,000+	15,000 to 19,999	10,000 to 14,999	5,000 to 9,999	2,500 to 4,999	1,000 to 2,499	500 to 999	250 to 499	100 to 249	50 to 99	25 to 49	10 to 24	5 to 9	2 to 4
Agriculture, Forestry & Fishing	2	1	1	2	6	14	26	38	99	64	7	29	5	29
Mining	3	1	2	7	15	23	34	40	55	20	1	4	0	1
Construction	3	1	2	10	17	62	107	263	587	341	31	98	16	55
Manufacturing	77	28	49	142	223	568	719	1,180	1,427	524	35	74	9	22
Transportation and Public Utilities	9	11	16	43	65	171	208	338	467	220	16	41	6	30
Wholesale/Retail	64	24	38	84	137	331	477	938	1,519	905	77	232	35	123
Finance, Coverage, and Real Estate	51	14	35	88	154	357	452	748	664	291	20	59	12	76
Services	117	39	78	301	552	1,633	2,186	3,801	3,558	1,646	121	391	75	359
Public Administration	53	17	23	64	114	276	391	558	370	124	8	11	1	1

TABLE 9 Number of Companies NOT Offering Long-Term Care Coverage by Number of Employees and Industry³⁴

Number of Employees at Entire Company														
Industry	20,000+	15,000 to 19,999	10,000 to 14,999	5,000 to 9,999	2,500 to 4,999	1,000 to 2,499	500 to 999	250 to 499	100 to 249	50 to 99	25 to 49	10 to 24	5 to 9	2 to 4
Agriculture, Forestry & Fishing	4	1	2	7	17	43	94	200	890	2,495	7,258	29,112	52,298	287,567
Mining	4	3	6	18	44	68	122	170	493	769	1,435	3,653	4,571	12,130
Construction	5	2	6	26	52	185	391	1,121	5,280	13,305	30,968	97,674	157,505	550,006
Manufacturing	114	57	102	316	560	1,424	2,158	4,064	12,840	20,435	35,194	74,149	87,620	222,586
Transportation and Public Utilities	64	24	34	97	164	429	623	1,163	4,199	8,597	15,844	40,949	58,553	296,852
Wholesale/Retail	90	47	75	178	329	791	1,357	3,052	13,667	35,298	77,269	231,809	351,673	1,229,600
Finance, Coverage, and Real Estate	51	19	48	129	250	582	859	1,589	5,976	11,338	19,977	59,381	118,208	757,937
Services	131	62	123	501	1,026	3,032	4,755	9,306	32,025	64,187	121,190	390,292	747,071	3,593,564
Public Administration	56	25	33	100	199	479	794	1,272	3,330	4,817	8,404	10,901	7,855	11,174

TABLE 10 % of Workers With Access to Long-Term Care by Type of Workers (2006)³⁵

	All Workers	In Establishments With 1-99 Workers	In Establishments With 100 Or More Workers	Blue-collar Workers	White-collar Workers	Full-time Workers	Part-time Workers	Workers In Goods-producing Industries	Workers In Service-producing Industries	Service Workers	Union Workers	Non-union Workers	State and Local Gov't Employees
% of Workers with Access to Long-Term Care	12%	5%	20%	7%	17%	13%	6%	10%	12%	4%	15%	11%	26%

TABLE 11 Number of Employees with Access to Long-Term Care by Number of Employees and Industry³⁶

Number of Employees at Entire Company														
Industry	20,000+	15,000 to 19,999	10,000 to 14,999	5,000 to 9,999	2,500 to 4,999	1,000 to 2,499	500 to 999	250 to 499	100 to 249	50 to 99	25 to 49	10 to 24	5 to 9	2 to 4
Agriculture, Forestry & Fishing	44,400	8,700	8,700	12,375	14,375	14,250	12,900	9,520	9,890	3,199	182	291	26	58
Mining	51,800	17,400	23,200	34,375	36,875	22,750	16,770	9,975	5,480	986	36	37	2	2
Construction	59,200	13,050	23,200	49,500	43,125	61,750	53,535	65,740	58,670	17,058	775	978	79	110
Manufacturing	1,547,100	414,375	490,750	709,900	557,888	567,720	359,625	294,975	142,670	26,199	881	742	44	45
Transportation and Public Utilities	173,700	170,625	162,500	217,000	163,163	171,000	103,875	84,375	46,660	11,021	397	410	29	59
Wholesale/Retail	1,278,200	356,775	378,550	419,200	343,675	330,990	238,420	234,413	151,850	45,254	1,934	2,320	176	246
Finance, Coverage, and Real Estate	1,020,000	207,900	348,600	439,425	383,800	356,820	226,148	186,960	66,400	14,536	500	594	59	152
Services	2,331,200	590,850	783,900	1,503,750	1,380,750	1,632,750	1,093,208	950,258	355,830	82,291	3,033	3,907	374	719
Public Administration	1,057,300	255,150	226,800	319,800	285,613	275,575	195,525	139,538	37,000	6,175	210	109	4	2

TABLE 12 **Number of Employees Without Access to Long-Term Care by Number of Employees and Industry³⁷**

Number of Employees at Entire Company														
Industry	20,000+	15,000 to 19,999	10,000 to 14,999	5,000 to 9,999	2,500 to 4,999	1,000 to 2,499	500 to 999	250 to 499	100 to 249	50 to 99	25 to 49	10 to 24	5 to 9	2 to 4
Agriculture, Forestry & Fishing	75,600	21,300	21,300	32,625	43,125	42,750	47,100	49,980	89,010	124,751	181,443	291,119	261,489	575,134
Mining	88,200	42,600	56,800	90,625	110,625	68,250	61,230	42,525	49,320	38,464	35,864	36,533	22,853	24,260
Construction	100,800	31,950	56,800	130,500	129,375	185,250	195,465	280,260	528,030	665,243	774,200	976,742	787,526	1,100,012
Manufacturing	2,272,900	860,625	1,019,250	1,580,100	1,399,613	1,424,280	1,078,875	1,016,025	1,284,030	1,021,751	879,844	741,488	438,101	445,171
Transportation and Public Utilities	1,286,300	354,375	337,500	483,000	409,338	429,000	311,625	290,625	419,940	429,829	396,104	409,490	292,766	593,705
Wholesale/Retail	1,801,800	708,225	751,450	890,800	821,325	791,010	678,580	763,088	1,366,650	1,764,896	1,931,716	2,318,090	1,758,364	2,459,200
Finance, Coverage, and Real Estate	1,020,000	287,100	481,400	645,575	626,200	582,180	429,353	397,290	597,600	566,914	499,425	593,806	591,041	1,515,874
Services	2,628,800	924,150	1,226,100	2,506,250	2,564,250	3,032,250	2,377,293	2,326,493	3,202,470	3,209,359	3,029,742	3,902,923	3,735,356	7,187,127
Public Administration	1,122,700	374,850	333,200	500,200	496,888	479,425	396,975	317,963	333,000	240,825	210,090	109,011	39,276	22,348

TABLE 13 **Estimates of U.S. Self-Employed and Small Business Owners**

Source	Unincorporated Self-Employed	Incorporated Self-Employed (companies w/ unknown and 1 employee)	Total Self-Employed (incorporated and unincorporated)	Small Business Owners (owning employees of companies w/ 2-24 employees)
Dun & Bradstreet ³⁸	N/A	6,563,500	N/A	9,486,512
Current Population Survey ³⁹	9,681,000	5,191,000	14,872,000	N/A
IRS ^{40,41}	N/A	N/A	16,929,000	

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3. A sample establishment in the CES survey is an economic unit, such as a factory, which produces goods or services. It is generally at a single location and engaged predominantly in one type of economic activity. Establishments reporting on the schedule (form BLS 790) are classified into industries based on their principal product or activity. Retrieved from <http://www.bls.gov/web/empsit/cesmetho.htm>
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8. Although other estimates are available, this analysis is based largely on Mercer data because the sample is not limited to members of an association (as is the case with the SHRM and IFEBP surveys).

- According to SHRM’s 2010 Employee Benefits Survey (“Examining Employee Benefits in the Midst of a Recovering Economy”), 28% of privately-owned for-profit organizations offer LTC, 27% of non-profit organizations offer LTC, 36% of publicly-owned for-profit organizations offer LTC, and 53% of the government sector offers LTC. Also, according to SHRM, 5% of companies offer LTC but have plans to reduce or eliminate the benefit within the next 12 months and 1% do not offer LTC but have plans to do so in the next 12 months. The SHRM sponsorship trend surprisingly shows a downward trend: in 2006 43% of companies offered LTC, 46% in 2007, 45% in 2008, 39% in 2009 and 31% offered in 2010. This is inconsistent with Mercer data, which shows an increase in the percent of companies offering LTC over time, which is consistent with insurance industry data.
 - According to the IFEBP 2011 Employee Benefits Survey US and Canada 2011: 45% of corporations offer LTC, 34% of Professional Service Firms offer LTC and 53% of Multi-employer Plans offer LTC.
9. “Multi-life” refers to individual (not group) long-term care insurance policies sold at the worksite at discounted premiums (reflecting marketing efficiencies)
 10. According to LIMRA estimates with adjustments for market coverage made by the authors, there are approximately 33,000 employer group plans in existence of all sizes (including “multi-life” employer groups – individual insurance sold at the worksite). Applying the sponsorship rates for employment ranges shown in Table 6 to the Dun and Bradstreet counts results in 33,000 employer-sponsored long-term care plans.
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22. As established by the Pension Protection Act of 2006. Employees are automatically enrolled in the plan and a specific percentage will be deducted from each participant's salary unless the participant opts-out or chooses a different percentage. The most common form of automatic contribution is 3% of pay. Plan sponsors are required to provide employees with an automatic enrollment notice, which details the plan's automatic enrollment process and participant rights. The notice must specify the deferral percentage, the participant's right to change that percentage or not to make automatic contributions, and the default investment. The participant generally must receive the initial notice at least 30 days, but not more than 90 days, before eligibility to participate in the plan or the first investment. Subject to certain conditions, the notice may be provided, and an employee may be enrolled in the plan, on the first day of work (Internal Revenue Service and the U.S. Department of Labor's Employee Benefits Security Administration. (2010). Automatic Enrollment 401(k) Plans for Small Businesses, IRS Publication 4674.).
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