

***Analysis of Group LTCi
Enrollments:
What Drives Participation?***

**Jeremy Pincus, Ph.D.
Forbes Consulting Group**



Analysis of GLTC Enrollments

Key Business Questions

- Should we quote on ABC company?
- If we write the case, how can we maximize participation?

Analysis of GLTC Enrollments

Research Technique

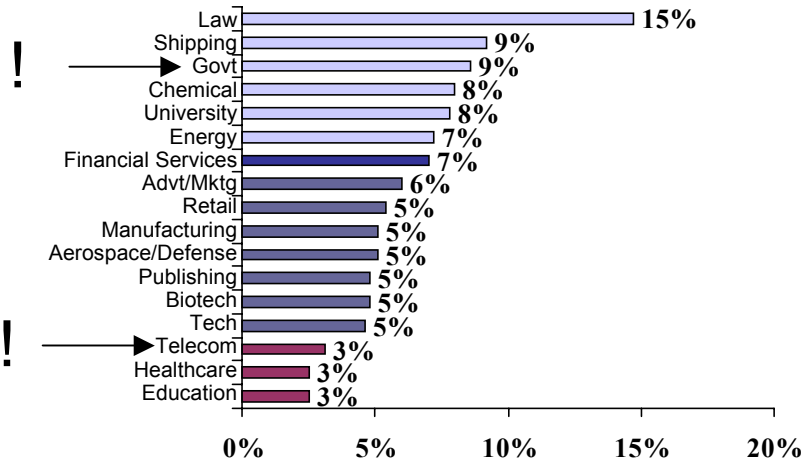
- **Qualitative review of case studies to identify comprehensive list of ~75 candidate factors**
- **First-ever multi-carrier database of ~250 distinct enrollments**
 - **Aetna**
 - **C.N.A.**
 - **John Hancock**
 - **MetLife**
 - **LTC Partners**
- **Statistical modeling of GLTC participation**
 - **OLS and Logistic Regression**
 - **Separate analyses: Knowable, Controllable Factors**

FINDINGS

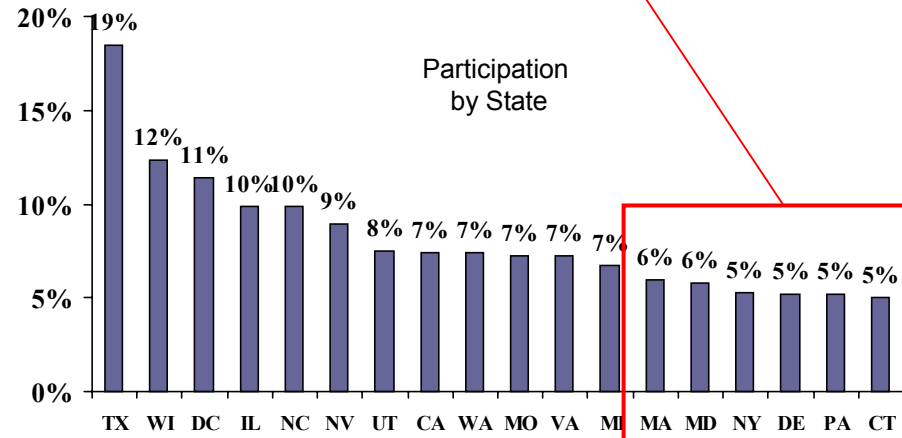
- **Knowable Factors**
 - Firmographics
 - Demographics
- **Controllable Factors**
 - Plan design & pricing
 - Marketing & enrollment process

Firmographics

High, medium, and low performance groups emerge

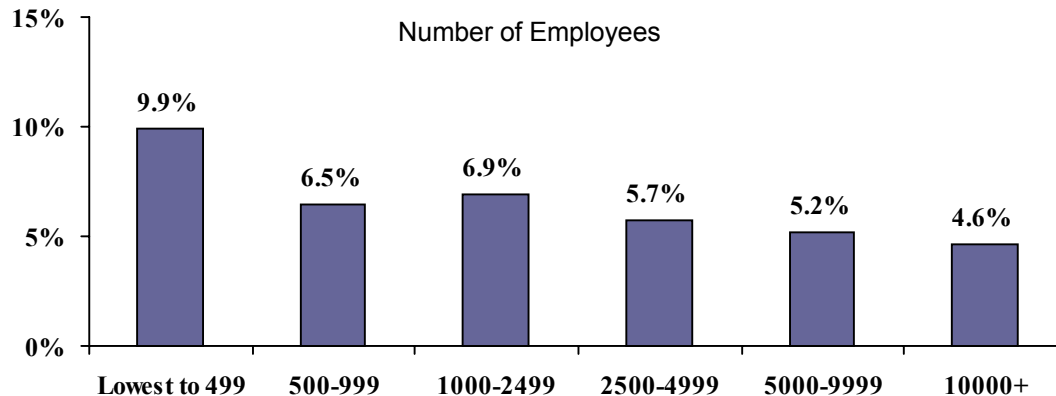


Companies in the West, Southwest, Midwest lead in participation; the Northeast lags



Complete reversal of the 1990's trend

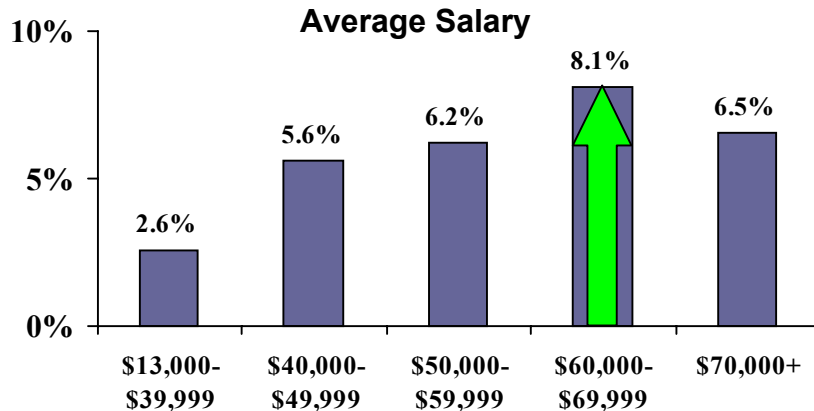
- Smallest companies now show strongest participation rate; same as 401(k) market



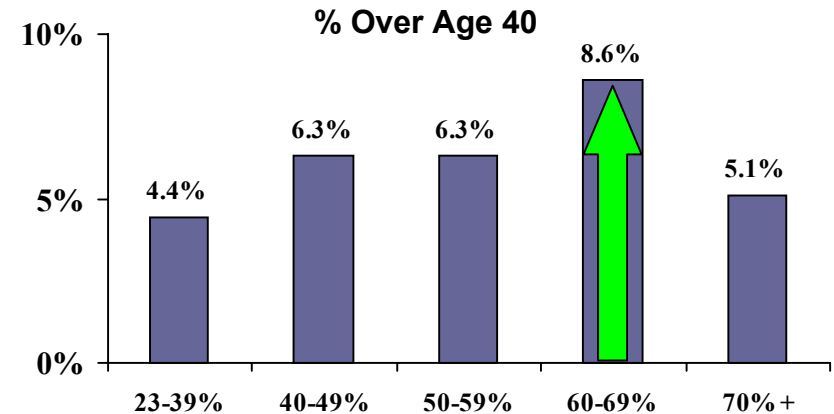
Demographics

Participation peaks at average salaries in the \$60,000s

- Beware very low and very high average salaries

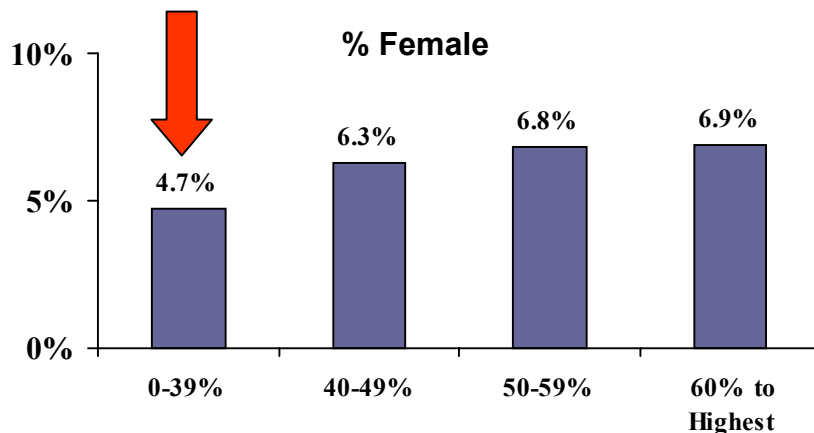


Participation peaks at 60% over 40

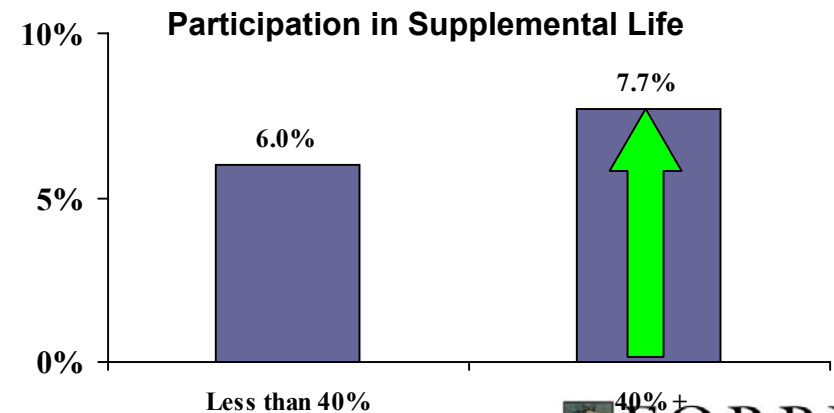


Participation falls off "cliff" below 40%

- Modest improvement beyond 40%



Participation is higher among companies with sup. life participation over 40%

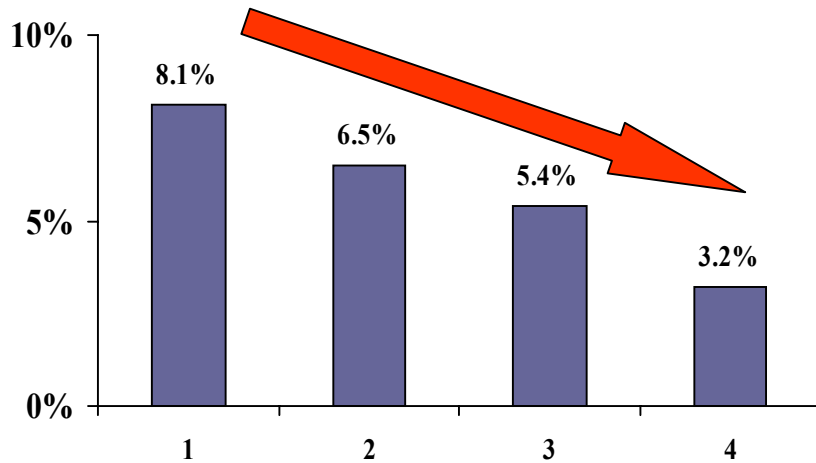


Bottom Line: Which Knowable Factors Matter Most?

Multiple regression identified a 3-factor predictive model:

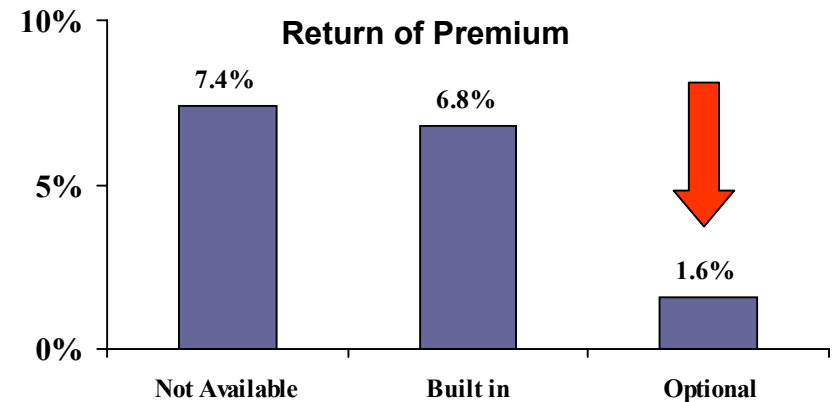
Variables in the equation	Pct of variance explained	Statistically significant
Average salary	41%	✓
Average age	35%	✓
% Female	24%	✓

Number of Choices

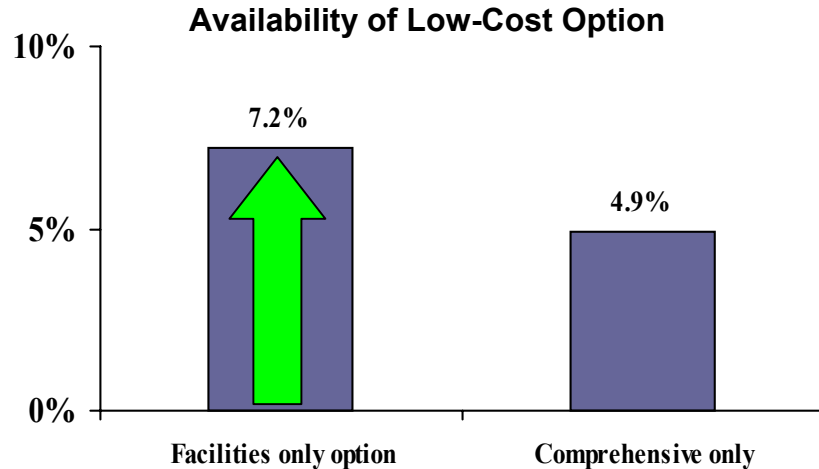


Dramatic decline in participation with increasing number of choices

Optional ROP shows the detrimental effects of additional choices

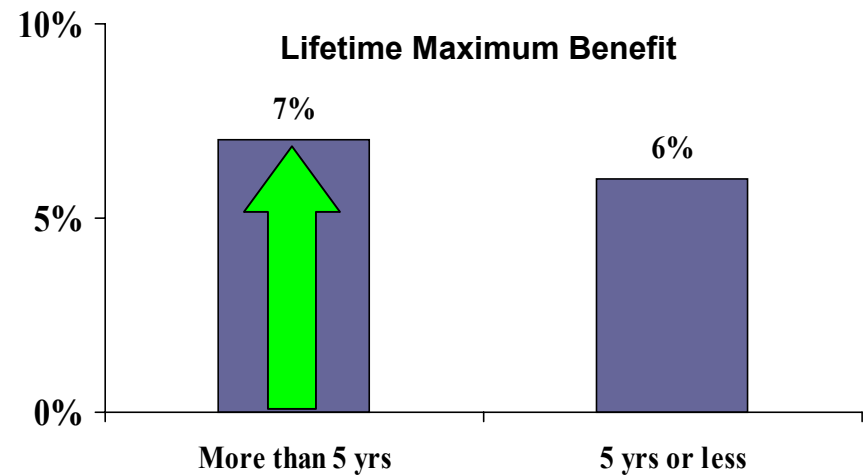


Plan Design

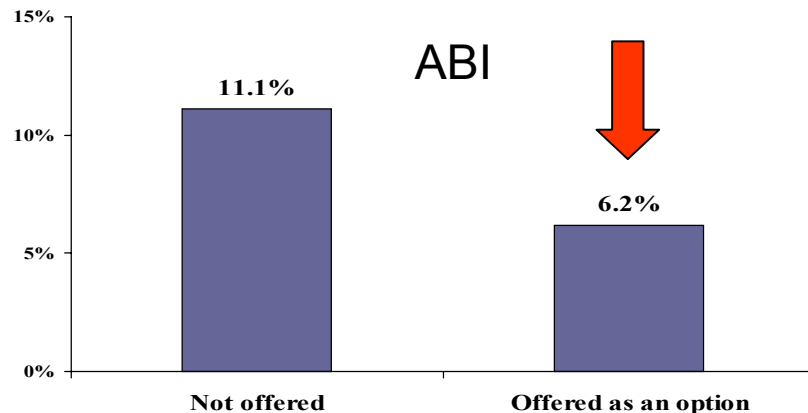


The availability of a low-cost option drives higher participation

When offered as an option, longest LMB consistently gets 60% to 80% of enrollment



Compound Inflation (ABI)



The Bad News:

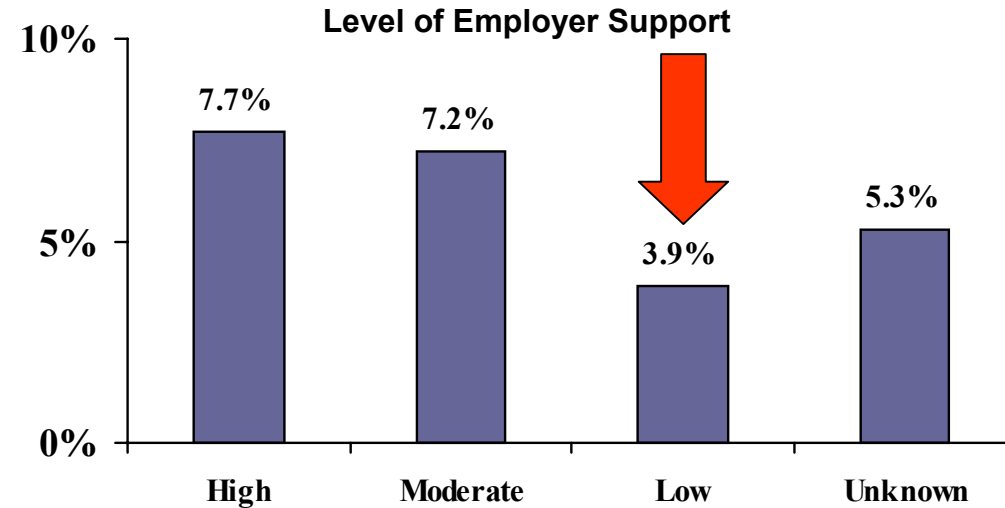
ABI is a necessary option, BUT...it's expensive, complex, and raises doubts re: the value of FPO plans

The Good News:

The offer of ABI hurts participation, BUT...it generates significantly higher case premium

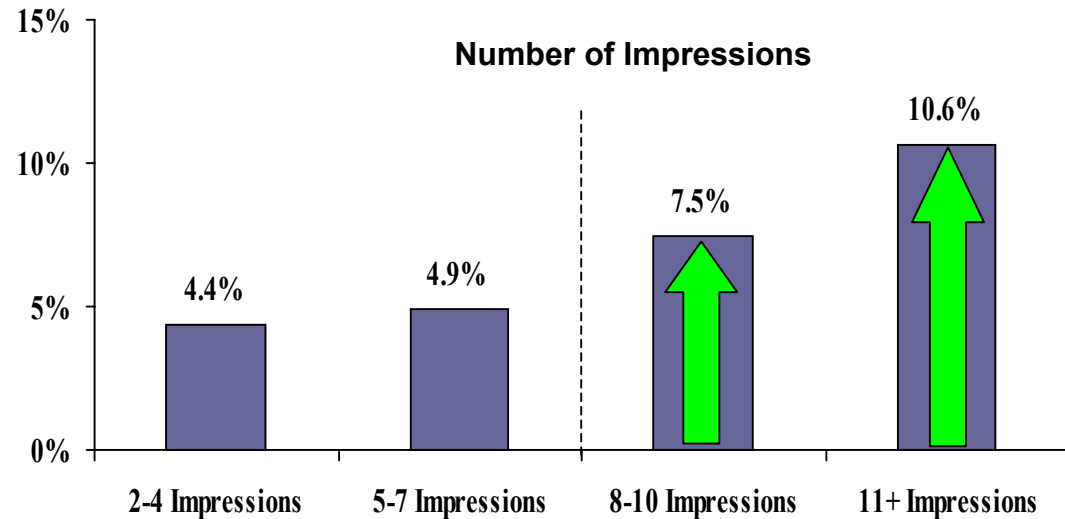
Average Case Premium w/out ABI = \$675
 Average Case Premium with ABI = **\$975**

Enrollment Factors

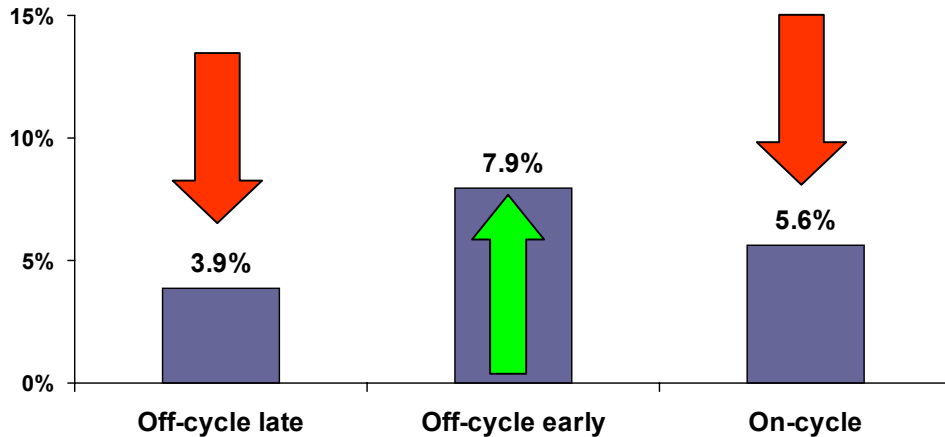


An unsupportive employer is an enrollment killer...
At least moderate support is essential

It takes 8+ direct communications to build awareness, educate, and persuade employees to enroll in GLTC



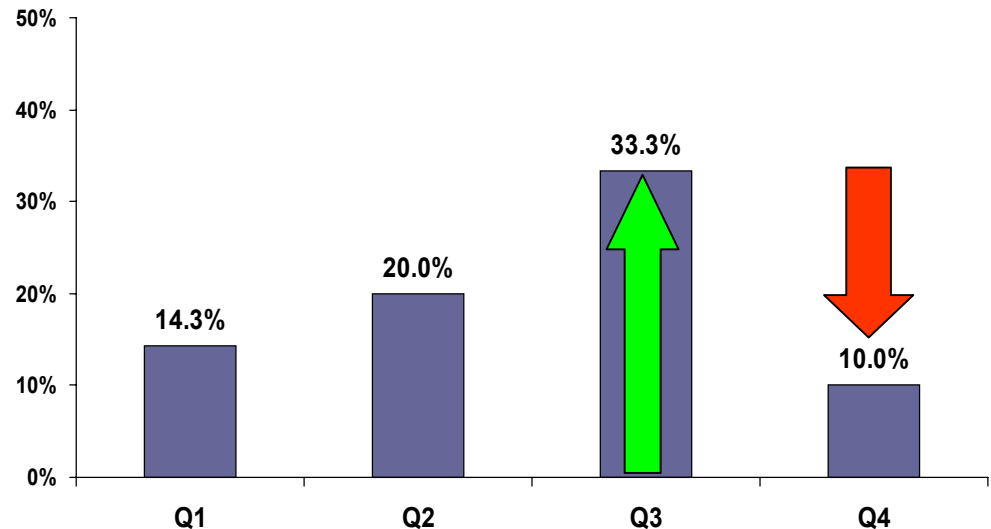
Timing



Best Timing: Immediately before main benefits enrollment period

Worst Timing: Immediately after main enrollment period

September appears to be a particularly good month to enroll GLTC



Bottom Line: Which Controllable Factors Matter Most?

Multiple regression identified a 5-factor predictive model:

Variables in the equation	Pct of variance explained	Statistically significant
Moderate-to-High employer support	23%	✓
Communication expenditure per employee	21%	✓
Presence of low-cost plan option	19%	✓
Fewer separate choices required to enroll	19%	✓
Holding enrollment period off-cycle (not in Q4)	17%	✓

Key Implications (1)

- **The credibility of the sponsor drives participation**
 - (At least) moderate employer support is essential
 - Far and away the #1 reason for purchase in FLTCIP
- **“Surround-sound marketing” (multi-channel, multi-wave) is effective in building awareness, knowledge, and purchase intention**
 - Interaction between active sponsorship and strong marketing leads to extremely high participation
- **Be careful in communicating ABI**
 - Simplify explanation and protect perceived value of FPO

Key Implications (2)

- **Too many choices is an enrollment killer**
 - Resist temptation to be “all things to all people”
 - Tailor bundles of plan design, pricing, and messaging to a few key segments
 - Low cost options make LTCI accessible, driving up participation (evidence in database and CalPERS)
- **Learn the “sweet spots” in the market**
 - You can have too much of a good thing: income, average age, % female
 - Track participation within segments, instead of aggregate, for a truer measure of performance
 - Use knowledge of segments to develop integrated message, plan design, & premium threshold