

A Legislative Update on Long-Term Care Issues

LTC International Forum – 2005 Conference
May 12, 2005
Galveston, TX

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Overview

- Federal Proposals
 - NAIC Activity
 - State Initiatives
 - Future Trends
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Federal Long-Term Care Legislative Activity

- Long-Term Care & Retirement Security Act
- Ronald Reagan Alzheimer's Act
- President's Proposal
- Other LTC-Related Bills
 - National Partnership Program
 - IRAs
 - Others

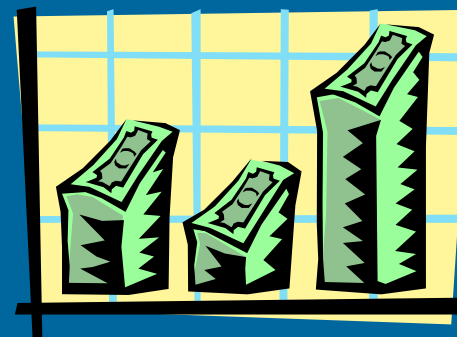


Long-Term Care & Retirement Security Act

- **Previous Bill sponsors: Grassley-Graham and Johnson-Pomeroy. Introduced in 105th, 106th, 107th and 108th Congress; In 108th Congress, about 20 Senate sponsors and over 130 sponsors.**
 - **Phase in an above-the-line deduction for Qualified LTCI premiums**
 - **LTC coverage under cafeteria plans/FSA**
 - **LTC caregiver tax credit up to \$3,000**
 - **Updates HIPAA consumer protection standards**
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Cost to the U.S. Treasury

LTCI deduction	\$23.1 billion
LTC in cafeteria plans/FSA	\$ 1.6 billion
<u>LTC Caregiver tax credit</u>	<u>\$12.9 billion</u>
Total Revenue Effect	\$37.6 billion



Ronald Reagan Alzheimer's Breakthrough Act

- **Bill sponsors: Senators Mikulski and Bond / Reps. Markey and Smith in 108th and 109th Congress**
 - **Phase in an above-the-line deduction for Qualified LTCI premiums**
 - **LTC caregiver tax credit up to \$3,000**
 - **No cafeteria plan/FSA provisions**
 - **Updates HIPAA consumer protection standards**
 - **Increases funding for Alzheimer's research and public education; and enhances caregiver support and respite initiatives.**
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President's LTC Proposal

- Phase in an above-the-line deduction for qualified LTCI premiums
 - No provision for LTC coverage under cafeteria plans/FSAs
 - Tax exemption for LTC caregivers
 - Updates HIPAA consumer protection provisions
 - Federal Government interest in other LTC areas, such as:
 - Reverse Mortgages for LTC and LTCI
 - HHS Education Campaign on LTC
 - Expansion of Public-Private LTC Partnerships
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How do we move LTC tax incentive legislation?

- **Seek acceptable lower cost alternatives**
 - **Formulate effective lobbying and advocacy strategy**
 - **Determine and allocate needed resources**
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Other Federal LTC Proposals

- **Allow individuals a deduction for LTCI premiums, use of such insurance under cafeteria plans and flexible spending arrangements, and a credit for individuals with LTC needs.**
 - **Proposing distributions from certain types of qualified retirement accounts (individual retirement accounts, and elective deferrals under section 401(k) and section 403(b) plans) to pay for LTCI so that no income taxes or penalty taxes would apply to the amounts withdrawn.**
 - **Expansion of LTC partnership programs**
 - **Exploring other innovative public-private programs to finance and manage LTC expenses**
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LTC Partnerships - Providing Medicaid Protection for LTCI Purchasers

▪ 4 Existing Partnerships (California, Connecticut, Indiana and New York)

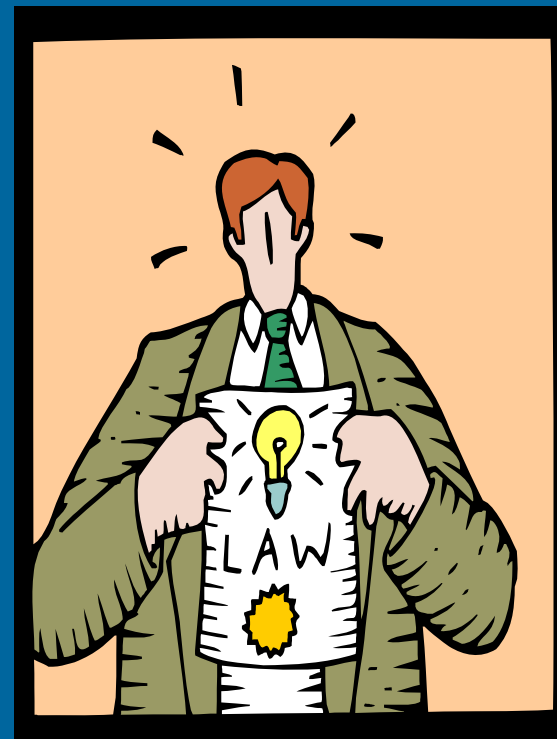
- Dollar for dollar protection
- Total asset protection
- Hybrid

▪ Future Partnerships

- National model
 - Simplicity
 - Reciprocity
 - Consumer Education
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NAIC LTC-Related Activities

- Updating/Revising NAIC LTC Model Act and Regulation
- Pricing Issues and Reserving Standards
- NAIC Interstate Compact Standards for LTCL
- “Post-claims underwriting” / Fraud / Misrepresentation

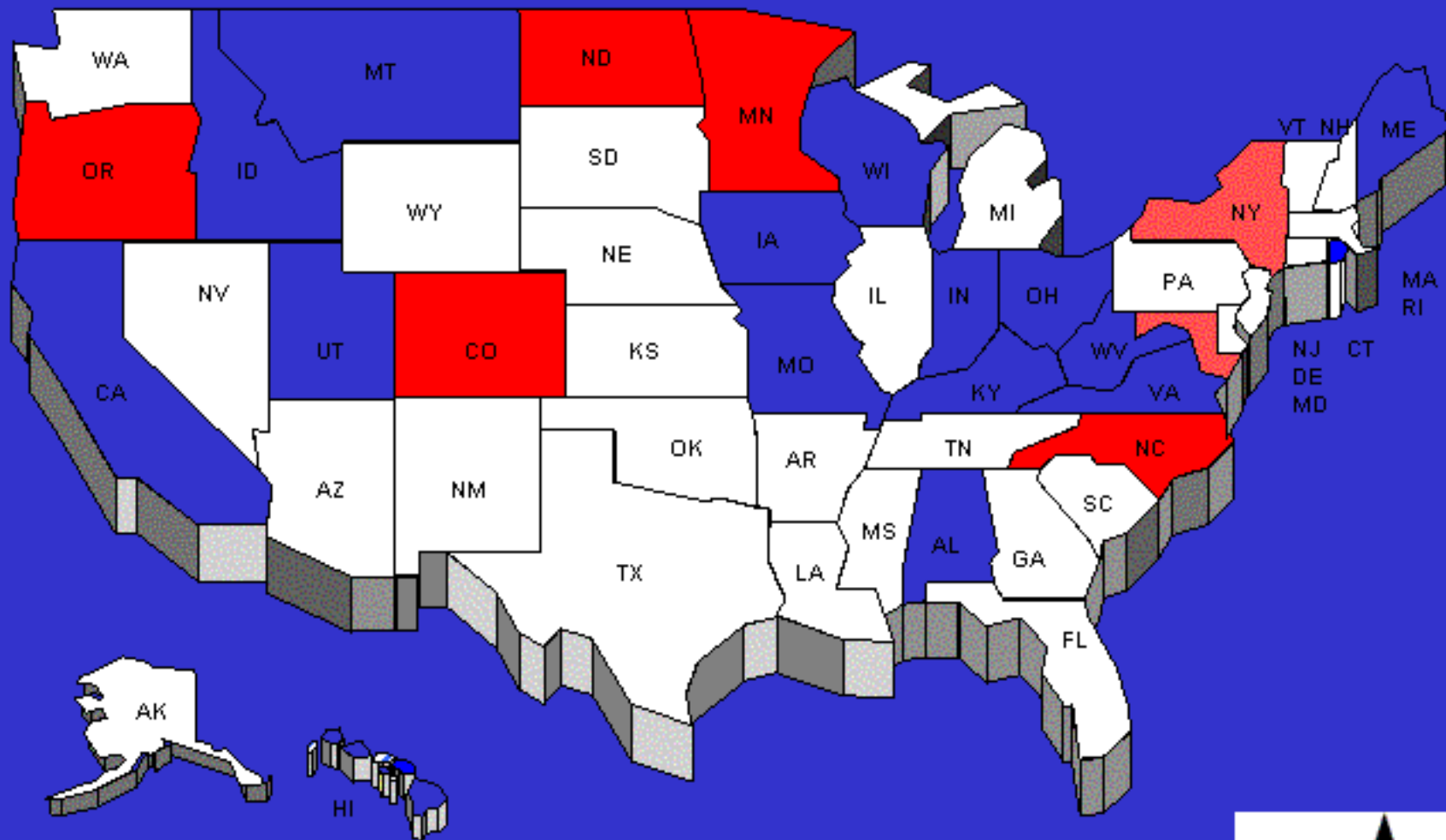


State LTC Initiatives



- State Tax Incentives
- State-sponsored LTC employer plans
- Other innovative state initiatives



State Tax Incentives for Purchase of LTCI



6/15/2004

-  Tax Credits
-  Tax Deductions

Types of Tax Incentives for Purchase of LTCI

- Providing state tax deductions or credits to individuals for the purchase of LTCI (20+ states).
 - Tax credit for LTCI premiums
 - Above-the-line deduction for LTCI premiums (full or partial)

 - Providing a state tax deduction or credit for employers offering group LTCI policies (Maine and Maryland).
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Enhancements or Variations of Offering State LTCI Plans

- State contributions towards state employees' LTCI premiums (Virginia, South Dakota)
 - Active participation of state as sponsor of LTCI Plan
 - Offering low-cost LTCI options to state employees (Michigan and Minnesota)
 - Self-funded LTCI programs (Alaska and California).
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Other Possible State Actions

- Creating or Enhancing State-Based LTC Education Programs
 - Setting up multi-purpose information centers on LTC
 - Providing LTC care management services
 - Using websites and clearinghouses
 - Promoting use of HSAs and RMs for purchase of LTCI
 - Combination of different approaches
 - Establishment on new and innovative Medicaid approaches/demonstrations
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Future Market Trends

- Awareness of LTC issues and LTCI will increase but the need for LTC consumer education efforts will continue

 - Partnerships between public and private sectors will increase.
 - Federal/State legislative proposals to encourage LTCI
 - Federal/State Innovative programs or demonstrations on LTC
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Additional Resources

- HHS LTC Awareness Campaign – www.ltcaaware.info or call 1-866-PLAN-LTC



- *Guides to LTCI* – available through the Federal Citizen Information Center by calling 1-888-8 PUEBLO or www.ahip.org

- LTC Champions Network www.ltcchampions.org

