

Long-Term Care Insurance

ACTION NEEDED:

Congress needs to take additional steps to encourage Americans to make the financially responsible step of purchasing private long-term care insurance.

BACKGROUND:

If more individuals were able to privately finance their LTC needs, the cost savings to both the federal government and the states in reduced Medicaid expenditures would be enormous, as Medicaid is currently the primary payer of American long-term care costs.

Congress can encourage millions more Americans to plan for their futures and purchase private LTC coverage, and assist the millions of families currently providing loved ones with long-term care by:

Including LTC insurance in employee benefit cafeteria plans and Flexible Spending Accounts

NAHU has long sought legislation to include long-term care insurance premiums in Section 125 plans to encourage group LTC insurance sales. Making this change would give working Americans an opportunity to address their future LTC needs through their existing employee benefit arrangements.

Group LTC insurance premiums would lower the after-tax premium by 25-30 percent, and these products are fully portable. Sales made in the employer market typically have fewer underwriting restrictions, creating a private coverage option that gives consumers the greatest possible degree of choice when it comes to their long-term care needs.

It is time to encourage people who can purchase private long-term care insurance to do so. Employers influence their employees and signal what they consider important to their employees by what benefits they offer, including insurance. Long-term care insurance should be considered as important as health, disability, dental and vision benefits.

Allowing an above-the-line tax deduction for LTC insurance premiums

NAHU would also like Congress to institute an above-the-line federal income tax deduction for LTC insurance premiums. This would allow taxpayers to claim a tax deduction regardless of whether they itemize their deductions and whether they have other medical expenses.

Tax deductibility of LTC premiums will encourage the purchase of LTC insurance by everyone, including younger Americans, who will benefit by making their initial purchase when premiums are most affordable. Over the lifetime of those individuals purchasing coverage, this will save the Medicaid system more expense than it currently costs the tax system in lost revenues. The above-the-line deduction will pay for itself through savings in the Medicaid program. For every \$1.00 the government loses in tax revenue, it would save \$1.06 in Medicaid money (*Tax Deductibility of Long-Term Care Insurance Premiums, Marc Cohen and Maurice Weinrobe, March 2000*).