TESTIMONY
LONG-TERM CARE
Senate Aging & Youth and House Aging & Older Adult Services Committees

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For the record, I am Steve Fisher, President of the Pennsylvania Association of Health Underwriters.

Thank you for allowing the Pennsylvania Association of Health Underwriters (PAHU) this opportunity to testify. Our members are licensed insurance professionals who specialize in health insurance and employee benefits. For many, this includes helping Pennsylvania's senior population meet their needs through long-term care insurance.

Let me get to my specific point: Long-term care insurance is a necessary ingredient of any legislative approach to meeting the needs of aging Pennsylvanians for two basic reasons. First, it is important for people to anticipate their needs when they get older and to plan ahead of time. Long-term care insurance provides a means for doing that. Second, every private sector long-term care policy sold may result in one less person who will need Medicaid for their long-term care – This reduction of the growth of Medicaid would then help PA taxpayers be able to focus limited dollars on assisting more people.

The bottom line is that there needs to be a strong long-term care market in PA for both helping people address their needs and the Commonwealth's need to reduce the increase in Medicaid expenditures. The General Assembly can help achieve that.

Having said that, there are clear obstacles to strengthening the private sector long-term care insurance market. Number One is cost. A number of years ago, this type of insurance was priced low – lower than the amounts of long-term care claims. Since then, the market has experienced pretty drastic price increases and a number of insurance companies that used to be players backed out of this market because they could no longer match claims costs with the premiums being received.

What options are available to the General Assembly? Reducing specific health care costs unfortunately is a long-sought and non-realized goal. There is no magic wand that the legislature can use to reduce costs. But there are steps that the General Assembly can make to strengthen the private sector long-term care insurance market.

Pennsylvania General Assembly should enact legislation establishing the State Long-Term Care Council (House Bill 252 sponsored by Rep. RoseMarie Swanger (R-Lebanon) and Senate Bill 1123 sponsored by Sen. Mike Folmer (R-Lebanon).

<u>Rationale</u>

- The work of the Governor's Long-Term Care Commission and the Joint State Government Committee is just the start. Their work establishes a foundation but any follow through requires a permanent entity. Otherwise, progress that may have been made this year in understanding long-term care and ways to better provide those services will be lost.
- Both House and Senate bills are bipartisan in sponsorship and House Bill 252 passed the House 199-0.

The General Assembly should enact legislation allowing for a Personal Income Tax (PIT) deduction for purchase of an individual long-term care insurance policy.

<u>Rationale</u>

- The proposed tax incentive can take two forms. First, is a straight-up tax deduction. Second is amending the PA Constitution to provide an exemption from a prohibition against special tax treatment except for age, income and disability. Both Representative Petri and Godshall have introduced legislation showing these options.

Pennsylvania's General Assembly should pass a resolution asking Congress to focus on long-term care insurance and how to afford it. One idea is to make a LTC insurance premium a line-item deduction on IRS Form 1040 (move it from Schedule A and give it its own place on the tax form). Another is to include long-term care insurance as part of a cafeteria plan.

<u>Rationale</u>

- The Affordable Care Act (ACA) increased the threshold for deduction of medical expenses from 7.5% of AGI to 10% in 2013. This reduces the federal tax incentive for long-term care insurance premiums to almost nothing since most people will never reach the higher threshold. A visible line item on Form 1040 would reinstate the value of this tax incentive.
- Congressional action would make long-term care insurance more visible to the taxpayer and would permit a federal tax incentive to be more effective. This visibility would also remind citizens of the importance of financial planning for the future.

The General Assembly should enact a legislative amendment to Act 40 of 2007 which now requires a mandated inflation protection provision in the LTC Insurance Qualified Partnership policy. It should be a <u>mandated offering</u> of this inflation protection. What this means is that there would be a requirement to offer inflation protection but the consumer could choose it or not depending on their ability to afford the extra coverage.

<u>Rationale</u>

- Act 40 established the Partnership Program in PA which is intended to help the middle class purchase a private sector long-term care insurance policy instead of having Medicaid pay for it. Qualified Long-Term Care Partnership policies thus allow taxpayer dollars to go farther.
- The mandated inflation protection increases the cost of a policy to make it unaffordable to the middle class. It works against its own purpose, to encourage the middle class to purchase private sector coverage instead of going into Medicaid.

- At a minimum, research should be done with other states to see how they have framed inflation protection requirements to see if PA could soften current requirements to make the Partnership product more affordable.

Enact state legislation that allows for a hybrid insurance product that includes Disability Income (DI) insurance coupled with long-term care.

<u>Rationale</u>

- Most employers offer Disability Income insurance and this approach builds on existing employer offerings of DI insurance.
- Given the concerns of an aging workforce, employers may gravitate to this hybrid to promote employee well-being.

Require that Area Agencies on Aging recruit volunteer insurance agents who will instruct APPRISE volunteers to better understand long-term care insurance as well as PA education governing restrictions on unlicensed individuals "soliciting, selling, or negotiating" long-term care insurance contracts. (Act 147 of 2002)

<u>Rationale</u>

- Anecdotally, agents report that well-intentioned APPRISE volunteers are providing inaccurate information to senior consumers about long-term care insurance. Utilizing agents for training will improve the quality of information provided.
- The Insurance Department and Department of Aging can remind APPRISE volunteers about insurance licensing law's prohibition about recommending one insurance policy over another. This could be done by issuing a joint memo and distributing it to the Area Agencies on Aging and other entities which provide insurance information to seniors.

Other Suggestions

~ Convene a symposium or another joint committee hearing that focuses on the risk management of long-term care and how to pay for it. What are alternative ways to reduce costs connected with traditional long-term care insurance including options such as allowing the employee share of group long-term care insurance premiums to be deducted from payroll on a pre-tax basis? In addition, there is increasing interest in Hybrid Life/LTC policies along with Life policies with accelerated death benefits.

~ Present a long-term employer-offered long-term care insurance program as a voluntary employee benefit option through the Commonwealth for its employees if it is not already being done. As a large employer, the Commonwealth can be a model for other employers.

~ Explore the feasibility of providing tax incentives (credit towards insurance premium tax) for new insurance companies choosing to offer long-term care insurance to Pennsylvania consumers. One problem facing the market now is a reduced number of carriers offering this product. Perhaps a premium tax offset might make PA more attractive for new insurers to enter this market.