

## **Long Term Care Insurance**

### **Issue:**

The cost for long-term care is increasingly borne by taxpayers. Citizens who require this type of care, which is not generally covered by Medicare, are forced to use personal savings and assets to pay for nursing home stays. When their own resources are depleted, they fall back on Medicaid to pay their expenses. Long-term care insurance can help citizens preserve the estate they have spent a lifetime building and alleviate the burden on taxpayers.

### **Background:**

Consumers need fiscal incentives to move them forward in planning for the most expensive years of their lives - their retirement. At the very time that their income may be fixed, they are likely to require acute-, home- or facility-based long term care. To pay for this care, consumers either deplete their life savings or fall back on Medicaid, shifting the cost to tax payers.

Budget cuts and frugal management of Medicaid are insufficient to cover the fiscal burden of the 77 million baby boomers who soon may need long-term care. Current trends in growth will be unsustainable without a large tax increase to fund programs.

Long-term care (LTC) insurance is one answer to this looming challenge. However, fewer than 9 percent U.S. employers offer long term care insurance as part of their benefit package. Most employers say their lack of participation grows out of low awareness of the availability and benefits of long term care insurance policies.

State governments and businesses can play a key role in educating consumers about the need to plan for long term care. Encouraging employees to purchase long-term care insurance will help them preserve their life savings and reduce future Medicaid rolls. This in turn will help manage the enormous Medicaid tax burden on individual tax payers and businesses alike. Along with education, tax- and other financial incentives will also be instrumental in shifting long-term care from a welfare/Medicaid to insurance- based model.

### **Action:**

The Charleston Regional Chamber of Commerce supports the following initiatives identified in a 2000 National Council on Aging Survey of baby boomers:

- Making LTC insurance fully tax deductible.
- Granting a tax deduction to a child/grandchild who buys LTC insurance for a parent or grandparent.
- Granting a \$1,000 tax credit to support those with LTC needs or the family members who care for and house their ill, disabled or infirm relatives.
- Allowing consumers to pay for LTC insurance premiums with tax-free withdrawals from 401(k) plans or IRAs.

Failure to provide incentives to move everyone toward an insurance model will mandate a systemic failure that will cost us all. We urge our legislature to study these and other strategies during the 2008 session and develop a plan of action to begin implementation in 2009. We also welcome the opportunity to support the WV Health Care Association in advancing these issues.