



HB 3292 An Act to Reinstate Tax Credit for Long-Term Care Insurance Premiums

Statement of

America's Health Insurance Plans

Oregon House Health Care Committee

Public Hearing

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Chairmen Greenlick and members of the House Health Care Committee, America's Health Insurance Plans (AHIP) appreciates this opportunity to present a written statement on [House Bill 3292](#), "An Act to Reinstate Tax Credit for Long-Term Care Insurance Premiums."

America's Health Insurance Plans (AHIP) is the national association whose members provide coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access and well-being for consumers

AHIP strongly support House Bill 3292 because we believe that establishing a state income tax for premiums paid for long-term care (LTC) insurance will persuade many citizens of Oregon to plan responsibly for their LTC needs.

According to the U.S. Department of Health and Human Services, nearly 70 percent of individuals turning 65 will likely use some form of LTC during their lives. Today about one in five Americans over age 65 and almost half of those over age 85 need assistance with everyday activities. The cost of LTC services, both nursing home stays and home care is rising dramatically. For example, the national average of one year in a nursing home costs around \$90,000 today and is expected to rise to \$140,000 by 2030. By 2030, Medicaid's portion of total nursing home expenditures will reach \$151 billion, nationally.

Value for Oregon Residents

LTC insurance provides important protections to Oregon residents. In Oregon, the 2016 median hourly cost for the services of a home health aide of \$23 easily adds up to over \$52,600 a year.



The median cost for a year's stay in an assisted living facility and in a private room in a nursing home in Oregon is \$48,780 and \$107,310 respectively.¹ At the end of 2015, LTC insurers paid over \$107 million in benefits in Oregon and covered over 86,400 Oregon residents.² The private LTC insurance market has been working to serve Oregon residents since the 1970s.

LTC insurance provides financial protection and peace of mind; without it, citizens of Oregon could see their retirement savings and assets depleted by long-term illness. The benefits of LTC insurance are many and varied. They reach beyond policyholders to include family caregivers. Public programs, specifically Medicaid, also benefit through reduced expenditures on LTC. Below, we summarize the value that LTC insurance provides to policyholders, caregivers, and Medicaid.³

Policyholders

- The industry can expect to pay out roughly \$700 billion in claims based on the current in-force policyholder base of 7.4 million people.
- LTC insurance provides a more cost-effective way to pay for LTC services than relying on personal savings. To pay for the same amount of services covered by insurance costing \$188 a month, a 60-year-old person would have to put aside \$1,666 a month over 22 years.
- If an individual sets aside and invests the value of the average LTC insurance premium for 22 years, she would accumulate only enough to pay for six months of care. By putting the same amount into premiums, she could own a policy covering more than three years of care.
- Roughly 22 years of premium payments would be returned after only five months of receiving the average LTC insurance policy's full daily benefit.
- Compared to those without LTC insurance, insureds reduce their out-of-pocket LTC costs by between \$3,000 and \$5,000 a month (depending on the service setting).

Family Caregivers

- Individuals caring for family members with private LTC insurance are nearly twice as likely to be able to work compared to those whose family members do not have insurance.
- Caregivers for LTC insurance claimants experience less stress in finding appropriate care for their relative with disabilities because they receive assistance with navigating and finding services from care coordinators provided by LTC insurers to their customers.
- Satisfaction with the paid care LTC insurance consumers receive enables caregivers to focus on companionship with their relatives with disabilities.

¹ Genworth, *2016 Cost of Care Study*, 2017.

² National Association of Insurance Commissioners, *Long-Term Care Insurance Reports for 2013, 2014*.

³ "The Benefits of Long-Term Care Insurance and What They Mean for Long-Term Care Financing," AHIP by LifePlans, Inc, November 2014.



Medicaid

- LTC insurance is effective in reducing Medicaid spend-down rates because it covers a majority of LTC costs for individuals who need services.
- In the absence of their LTC insurance policy, between 22 and 33 percent of nursing home claimants would spend down in order to be covered by Medicaid. LTC insurance allows policyholders to protect their assets.
- Current policyholders are expected over their lifetime to save the Medicaid program \$75 billion. Annual Medicaid savings per in-force policy are roughly \$500.

Value for LTC Insurance Customers

As claims grow, a key question emerges: What is the actual experience of insureds as they seek benefits under their policies? Insureds applying for or receiving benefits—claimants—are in essence the ultimate customers of LTC insurance. They are the individuals who are experiencing and utilizing the benefits that their policies promise to provide. Therefore, to gauge customer experience and satisfaction levels of LTC insurance policyholders, it is important to look at claimants. Findings from a recent survey⁴ of LTC claimants show that the vast majority of claimants are satisfied with both their coverage and their interactions with the insurance company. Moreover, the insurance is achieving multiple goals for policyholders, including helping them afford services, giving them access to high-quality care, reducing burdens on families, providing choice of service settings, and enabling them to receive care when they need it, without delay. Specific key findings follow:

Claims Filing Experience, Satisfaction with Insurance Purchase and Claims Impacts

- For every 100 people making claims under their LTC insurance policy, only two are likely to have had a disagreement about coverage that was not solved to their satisfaction.
- Nearly nine in 10 individuals had no problem knowing what their policy covered, and for the few who did, many turned to their insurance company or their agent to clarify coverage questions.
- Nearly 90 percent of claimants are satisfied with the amount of coverage they purchased.
- More than four in five claimants reported that their insurance was paying for at least 50 percent of LTC costs, and two in three indicated it paid for all or most costs. When new buyers of insurance are asked whether they expect their insurance to pay for all or most of

⁴ “*Experience and Satisfaction Levels of Long-Term Care Insurance Customers: A Study of Long-Term Care Insurance Claimants*,” AHIP by LifePlans, Inc., September 2016.



the costs of any future care they may need, a large majority reply “most of the costs.” Thus, the insurance claims payment pattern is in line with original purchase expectations.

Impact of LTC Insurance on Service Use

- The vast majority of claimants (93 percent) say that the benefits paid by their policy are sufficient to meet their current care needs.
- Roughly three in four claimants indicated that if they did not have LTC insurance, they would receive less care; 64 percent indicated that without insurance, they would not be able to pay for their current levels of care.
- About two in three claimants would have to rely on family, friends, and other volunteers to make up the care gap if they did not have LTC insurance benefits enabling them to purchase formal care.
- Nearly half of individuals indicated that without insurance they would not be able to receive care in their current setting.
- Slightly more than three in four claimants believed that their insurance has enabled them to access higher-quality providers.

Understanding Policy Value

- One indicator of policy value from the point of view of a claimant is the extent to which the benefits paid out by the policy exceeds the total value of premiums paid for the policy. Purchasers between 1986 and 2014 received benefits that far exceeded the premiums paid, and that difference is between \$56,000 and \$85,000.
- Across the entire claimant sample, for every \$1.00 in premium paid, the benefit payout is \$2.78. For individuals who purchased their policies between 1998 and 2002, so far the ratio value is \$2.90, and for 2007 to 2014 buyers who became claimants, the ratio value is \$5.02.

As the demographic balance shifts over the coming decades toward greater number of elders living longer lives, there will be tremendous demands placed on the LTC service system. A robust private insurance market will help support the growth and development of a high-quality service infrastructure to meet these growing demands. Increased purchase of LTC insurance can serve as a significant source of financing for nursing home care, at-home care and hospice care and can greatly reduce Oregon’s out of pocket expenditures. Encouraging growth, especially among middle-income purchasers of LTC insurance will lead to meaningful reductions in lifetime Medicaid costs. These reductions could be used to cost-justify the targeted income tax deduction that is designed to encourage middle-income consumers to buy. Passage of income tax deductions for LTC insurance will benefit policyholders and caregivers and improve overall financing of LTC in Oregon.



We appreciate the opportunity to provide this statement and look forward to working with the Committee on creating an environment that ensures a robust private LTC insurance market that provides consumers with a choice of solid and dependable coverage for their LTC needs. We are committed to ensuring that consumers continue to enjoy the greater peace of mind that comes with knowing their coverage will be there when and for as long as they need it.