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Testimony of the American Council of Life Insurers
Before the Joint Committee on Aging
Tuesday, February 28, 2012

Senate Bill 178 - AN ACT CONCERNING INCOME TAX DEDUCTIONS FOR LONG-TERM CARE INSURANCE PREMIUMS

Senator Prague, Representative Serra, and members of the Joint Committee on Aging, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments in support of Senate Bill 178 -AN ACT CONCERNING INCOME TAX DEDUCTIONS FOR LONG-TERM CARE INSURANCE PREMIUMS. The tax incentives provided for in Senate Bill 178 are beneficial to both Connecticut consumers and the state's long-term fiscal well-being. ACLI member companies provide the majority of long-term care insurance coverage in force in Connecticut.

The Reality of Long-Term Care

A lifetime of retirement savings can be wiped out by an unexpected need for nursing home, assisted living, or at-home care. This happens more often than anyone expects – one in four Americans ages 65-74 and 62 percent of those over 85 suffer some limitation of activities. Today, a one-year stay in a nursing home averages $77,000. By 2030, the same stay is expected to reach $200,000. Home care is less expensive, but still costly: a visit by a home health aide can cost $2,700 a month. These are costs which most Americans are unable to sufficiently save for during their working years. But long-term care insurance can help cover the costs of long-term care services and protect lifetime savings.

Impact on State Budget

In 2010, life insurers paid out $7 billion dollars in long-term care insurance benefits. That is potentially $7 billion that state Medicaid programs did not have to pay out. Recent projections show that Medicaid expenditures for baby boomers' nursing home needs could be reduced by 20 percent in the year 2030 if more Americans purchased long-term care insurance. In 2009, Connecticut spent more than $3.3 billion dollars on Medicaid long-term care services, which was 55 percent of the state's total Medicaid budget.[i] The more long-term care insurance is purchased by Connecticut residents, the less likely they are to seek state Medicaid benefits. Even if a resident does eventually need to seek benefits, long term-care insurance would effectively shorten the duration of time the state would have to provide the cost of care for. Over time, the amount in Medicaid savings would easily exceed any loss in tax revenue from this proposed income tax deduction.

Conclusion

In the interest of enabling Connecticut residents to prepare for their potential long-term care needs and to help reign in state Medicaid costs we urge you to vote in support of the proposal. Senate Bill 178 will help ensure more Connecticut residents are able to maintain their financial independence and enjoy their retirement years with dignity.

Thank you for your consideration of our position. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202)624-2463 with any questions.

ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 242 ACLI member companies licensed to do business in Connecticut, accounting for 91 percent of the ordinary life insurance in force in the state.

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[i] The Henry J. Kaiser Family Foundation - State Health Facts (http://www.statehealthfacts.org)

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