



Kate Kiernan
Vice President, Chief Counsel & Deputy, State Relations

Testimony of the American Council of Life Insurers
Before the Joint Committee on Aging Tuesday, February 25, 2014

**SENATE BILL 173 - AN ACT CONCERNING AN INCOME TAX DEDUCTION
FOR LONG-TERM CARE INSURANCE PREMIUMS**

Senator Ayala, 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 173 - AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS**. The tax deduction provided for in Senate Bill 173 is 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. We thank the committee for raising this important legislation.

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 2011, life insurers paid out \$ 6.9 billion dollars in long-term care insurance benefits. That is potentially \$2.8 billion that state Medicaid programs would 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. 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. 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 173 will help ensure more Connecticut residents are able to maintain financial independence and enjoy their retirement years with dignity.

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

The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 228 member companies serve Connecticut consumers. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at www.acli.com.