

CT Funeral Directors Association, Inc.
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Written Testimony of
Nicole I. Paquette, CFSP, CPC, Co-Legislative Chair
Connecticut Funeral Directors Association, Inc.

Raised S.B. No. 01020 An Act Concerning Funeral Service Contracts
General Law Public Hearing
March 5, 2015

Good Afternoon, Senator Leone, Representative Baram, Senator Larson, Representative Kiner, Senator Witkos, Representative Carter and the distinguished members of the General Law Committee. My name is Nicole Paquette and I have been a CT licensed funeral director and embalmer for the past 20 years and I am also a Certified Preplanning Consultant (by the National Funeral Directors Association). I have the honor of representing the Connecticut Funeral Directors Association (CFDA) today, which represents 220 out of the 295 funeral homes in the state. As co-chair of their legislative committee, I thank you for providing the forum in which to hear and consider this testimony.

The Connecticut Funeral Directors Association supports this proposal that will allow a single, simplified, consumer friendly prepaid irrevocable funeral service contract. A single contract will not only will simplify preplanning but finally allow Connecticut residents the opportunity to fund 100% of the cost of their funeral in advance like all states in the Northeast and 38 states in the United States.

The unfortunate truth for many Connecticut families is that they are walking out of funeral homes with limited funeral service contracts. Limited because, these families were not permitted to pay in full for the funeral of their choice. Furthermore, these families walk out of funeral homes, dumbfounded with the knowledge that they were not allowed to prepay their funeral expenses in full and confused as to why Connecticut's laws forbid them from doing so. Planning for one's final arrangements is a part of any sound estate plan and many individuals wish to eliminate the financial burden placed upon their survivors for funeral costs.

Under current Medicaid regulations, consumer's in Connecticut regardless of their means or desires, are subject to three separate types of contracts for funeral expenses: Irrevocable Trust capped at \$5,400 (since 1997); Burial Space Items: not capped, but limited to (casket, urn, outer burial container, grave, opening and closing of gravesite, headstone or marker); Life Insurance Policy capped at \$1,500. For many these three separate contracts are confusing. For example, it is like buying a car, one contract for the chassis, another for the tires and the insurance policy for the equipment package, but you can't pay for the radio because it provides music and that has nothing to do with driving the car.

The heart of the problem is placing a cap on the irrevocable trust and Connecticut is one of only eight states in the country that imposes such a cap. Any fixed price in statute will become problematic with the passage of time and inflation. An increase to the cap will only provide temporary relief. CFDA asks for removal of the cap. Year after year, CFDA has been mindful of the financial woes of our great State and we hold no

doubts that this committee will closely temper this proposal against a forthcoming fiscal analysis. CFDA believes this fiscal impact to be a false harbinger. We remind you that 38 other states in the United States and all of the Northeast states allow their residents to prepay with the use of a single irrevocable contract.

Please consider the attached letter from Bonnie L. Tippy, Executive Director of the New York State Funeral Directors Association dated January 26, 2001. On January 1, 1997, a new law went into effect in New York State that created one irrevocable account for burial trusts developed for applicants and/or recipients of Medicaid and SSI. This meant the elimination of a confusing two contract system. The letter also indicates a 3% **DECREASE** in the amount spent on the average Medicaid consumer account over a four year span **EVEN IN THE FACE OF INFLATION!** Eliminating a cap will prevent people from spending "up" to an artificial limit. Without a preassigned figure or cap, people will spend what is appropriate and affordable for them in the custom of their family based on their religious, cultural and family values. According to Bonnie, "*we believed then and know now that caps are inadvisable because they create floors, not ceilings, and make no provision for the very real differences in funeral costs between large metropolitan areas and more rural locations.*" Furthermore, in many cases, a single contract in Connecticut would simply be a merger of the three contracts into one single simplified consumer friendly contract. There would be no fiscal impact in these cases.

In conclusion, a funeral service is a unique celebration based on a person's free will to make and provide for his or her choices; choices that are then derived from his or her customs, religious beliefs, cultural and family traditions. Funeral services are not homogenous and there is no "one size fits all" funeral. Therefore, Connecticut law should allow residents the freedom to make their own funeral selections and residents should have the ability to pay for those funeral selections in advance even under the scrutiny of Medicaid. Please put a stop to government intervention of what can and cannot be inclusive in a funeral service contract for Connecticut residents. Stop penalizing Connecticut families with an 18 year old cap.

The Connecticut Funeral Directors Association pledges to continue to work with the General Law committee to provide any additional assistance or information with this proposal. Thank you for this opportunity to testify. I would be pleased to answer any questions.

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January 26, 2001

Mr. John Casio
 Executive Director
 Connecticut Funeral Directors Association
 350 Silas Deane Hwy., Suite 202
 Wethersfield, CT 06109

Dear John:

I am writing regarding your request for information on Medicaid prepaid trust accounts and how our laws have impacted the amount of monies paid in advance for funerals by Medicaid recipients in our state.

As you are aware, prior to a change in our law in 1996, New York applicants for Medicaid were required to create two accounts for their burial trusts. One account was limited to \$1500 in services and the other "burial space" account was unlimited in terms of merchandise. This methodology of accounting was very confusing for consumers, and the accounts were revocable, which complicated the issue of eligibility under certain circumstances. In addition, because the burial space account was unlimited, elder care attorneys would often urge their clients to overfund the funeral because this was a legal loophole that would allow them to shelter assets.

MARK G. KOWALCZYK
 PRESIDENT

The law we championed went into effect January 1, 1997. It created one irrevocable account for burial trusts developed for applicants and/or recipients of Medicaid and SSI. This meant the elimination of the very confusing two account system. In addition, the law mandates that any overage in the account remaining after all funeral expenses have been paid must be remitted to the local county indigent burial fund. We included this mandate in our proposed legislation in order to eliminate the problem of consumers overfunding these accounts in order to shelter assets. We believed then and know now that caps are inadvisable because they create floors, not ceilings, and make no provision for the very real differences in funeral costs between large metropolitan areas and more rural locations."

JAMES P. NOLAN, JR.
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PATRICIA A. KNIGHT
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PHILIP P. PEROTTO
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RONNIE L. LIPPY
 EXECUTIVE DIRECTOR

Mr. John Casio
Connecticut Funeral Directors Association
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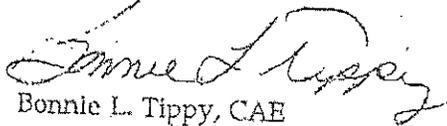
We can demonstrate the correctness of our position regarding caps versus a total disincentive for overfunding funerals (that is, overages being returned to government). We have extracted data from PrePlan, the \$220 million dollar prepaid funeral trust operated by the New York State Funeral Directors Association, which dramatically demonstrates our position. PrePlan represents over 40,000 individual consumer accounts, which we believe represents at least 20% of all prepaid funeral accounts in New York. That means our statistics are valid for interpretation throughout New York. Our data shows that prior to implementation of the new law in 1997, the average Medicaid consumer account was \$6,284. Today, four years following the effective date, the average Medicaid consumer account is \$6091, which represents a 3% decrease even in the face of four years of inflation.

The \$6091 is an average throughout the state. Our data also shows that there is approximately a \$1000 difference in the price of funerals between metropolitan New York City and upstate New York, New York City being the higher priced.

In conclusion, our law has had the effect of controlling the overfunding of funeral burial trusts while recognizing the real differences in funeral costs between metropolitan and rural areas. At the time we were working on passage of this legislation, we shared with Medicaid and other officials our strong belief that families simply do not buy more funeral than what it is in the tradition of their family to buy. I believe our data amply supports this premise and that implementation of the statute has been most successful.

Please feel free to call me at anytime if you wish to discuss this important matter further.

Sincerely,


Bonnie L. Tippy, CAE

cc: John Carmon, Carmon Community Funeral Homes, Inc.
Diana Kurz, Newington Memorial Funeral Home