Aging Committee
JOINT FAVORABLE REPORT

Bill No.: SB-563

Title: AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS.

Vote Date: 2/20/2019

Vote Action: Joint Favorable

PH Date: 2/14/2019

File No.:

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SPONSORS OF BILL:

Aging Committee

REASONS FOR BILL:

The bill provides and income tax deduction beginning with January 1, 2019 and each year thereafter for the amount of any premiums paid for a long-term care insurance policy. This is to encourage people to purchase their own long term insurance coverage.

RESPONSE FROM ADMINISTRATION/AGENCY:

None submitted for this bill.

NATURE AND SOURCES OF SUPPORT:

Senator Tony Hwang, 28th Senate District: The Senator believes that this will reward people for thinking ahead and will save the state money in the long term.

AARP Connecticut: They point out that Connecticut has the second most expensive nursing home care in the nation and that a person 65 today has an almost 70% chance of needing long term care. They are also concerned that people who have long term care insurance for years are considering dropping it because of increasing premiums at a time that they might need it most. They support the bill but they think that stronger consumer protection protections are needed to protect policy holders.

Ms. Stacy Stableford, AARP Volunteer, Trumbull: She is support of this bill and describes her own experience that she and her husband have had with long term care insurance. They purchased their policies years ago with an effective inflation rider. Since then large premium increases have made the payments impossible to maintain but they are reluctant to drop their coverage. She believes that a tax incentive for having these policies would offer them some relief from the high costs they are forced to pay.

Mr. Bob Rodman, AARP Volunteer, Avon: He supports this bill and explains his current situation with long term care coverage. He purchased coverage in 2002 on both he and his wife, for an annual premium $6,085. In 2019 the same coverage will now cost $13,059 annually with the promise of more increases in the future. He asks that the legislature consider the impact on tax revenues and those the incentive would benefit.

Mr. Armen Abrahamian, Long Term Care Insurance, LLC: He supports this bill. He has been marketing and selling long term care products since 1995. They have placed over $600 million of LTC protection and have helped 2,000 people secure this coverage. In addition to being an enroller for several of the larger benefit offerings he teaches continuing education to the CT Society of CPA’s.

He believes that couples he meets with see the importance of long term care coverage but are concerned about the high cost of coverage. It is his belief that if people can deduct the cost of this coverage from their CT state tax return it would provide them an incentive to purchasing this coverage. Also because premiums are increasing, sometimes as much as 100%, some clients are deciding to cancel their policies. If this and a decrease in the sale of new policies continue then a greater burden will be placed on the State’s Medicaid/Title 19 program. Deductibility on their CT tax return will provide an incentive to keep some level of coverage.

Craig Breitspercher, Co-Founder of Talcott Financial Group: He is in support of this bill. He sees as an advantage of this bill is a resurgence of the CT Partnership Program. Many people avoid this because of its cost and the fact that they get no benefit if they do not need long-term care. By making premiums tax deductible it will provide a premium coupon while transferring risk away from the State and onto private insurance.

A second benefit would be to provide a competitive advantage of the traditional long term care coverage against a new and item called hybrid-long term care. This is a long-term care benefit added to a life insurance policy or investment product where a lump sum is available to use for long term care. An example is that attorneys he has spoken to have said that they are using these hybrids to buy time to spend sown asserts so they can qualify for Medicaid rather than foot the bill for an ongoing period.

Finally, a tax deductible expenditure may help legislators bring attention to residents about the unsustainable path that long-term care is heading down. Most people try to avoid the conversation altogether rather than face and adequately protect against this risk.

National Association of Insurance and Financial Advisors – Connecticut: They submitted testimony in support of this bill pointing out long-term care coverage is a valuable piece of a retirement plan. Long-term care policies have decreased dramatically over the years. The sale of Connecticut Partnership has plummeted and carriers like Travelers, UNUM, Prudential, John Hancock, MetLife and The Hartford have all left the market and only a few remain.

They mention that premiums have increased as much a 40% in a single year and policy holders have been forced to pay the increase, reduce coverage or cancel their policies. They say that business owners are able to take advantage of tax benefits when purchasing a long-term contract but individuals don't have the same opportunity. Tax deductibility will offset rate increases so they won't have to lapse their contracts and it would offer a new incentive to purchase the insurance. According to Genworth the median cost of care for a semi-private room in CT is $151,475 and that by 2028 will be $203,570.

NATURE AND SOURCES OF OPPOSITION:

None submitted for this bill.

Reported by: Gaia McDermott, Clerk **Date: 2/27/19**
Richard Ferrari, Assistant Clerk