SB 1448

Measure Title:	**RELATING TO LONG-TERM CARE INSURANCE.**
Report Title:	**Tax Credit; Long-Term Care Insurance**
Description:	**Establishes a tax credit for an unspecified percentage of the annual costs of long-term care insurance.**
Companion:	
Package:	**None**
Current Referral:	**CPN/HMS, WAM**

NEIL ABERCROMBIE
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SENATE COMMITTEES ON HUMAN SERVICES AND COMMERCE & CONSUMER PROTECTION

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING SB 1448 RELATING TO LONG-TERM CARE INSURANCE

TESTIFIER:	**FREDERICK D. PABLO, INTERIM DIRECTOR OF TAXATION (OR DESIGNEE)**
COMMITTEE:	**CPN-HMS**
DATE:	**FEBRUARY 8, 2011**
TIME:	**1:30PM**
POSITION:	**COMMENTS**

This measure provides a refundable income tax credit for the purchase of long-term care insurance.

The Department of Taxation (Department) offers the following **comments**—

SUPPORT INTENT—The future of long-term care for Hawaii's senior and adult disabled population is a critical issue and this credit would help with the costs of such care.

NOT FACTORED INTO BUDGET—The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either.

REVENUE LOSS—This measure is anticipated to reduce general fund revenues by an indeterminate amount due to the unidentified amounts in the bill.

Healthcare Association
of Hawaii

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair

SENATE COMMITTEE ON HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair

Conference Room 016
Feb. 8, 2011 at 1:30 p.m.

Supporting SB 1448.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of SB 1448, which creates a tax credit as an incentive for purchasing long term care insurance.

The need for long term care will soon reach crisis proportions. Unfortunately, people, by and large, have not prepared themselves financially. In Hawaii, for example, the cost of nursing home care is $113,000 per year, according to the results of a national survey released by Genworth Financial. Far too many of those in need have become dependent on government services due to their lack of adequate financial preparation.

The current situation is unsustainable. The Medicaid program is already under financial pressure due to recent demands placed upon the system and simply cannot accommodate the growing need for long term care.

This bill reduces the pressure on our current system to provide long term care by encouraging individuals to purchase long term care insurance. This bill is not a panacea, but it is a step in the right direction.

For the foregoing reasons, the Healthcare Association supports SB 1448.

HAWAII LONG TERM CARE ASSOCIATION

February 8, 2011

TO: Chairs Rosalyn Baker and Suzanne Chun Oakland
Members of the Senate Committees on Commerce & Consumer Protection and Human Services

FROM: Bob Ogawa, President - Hawaii Long Term Care Association

RE: S.B. 1448 -- Establishing a tax credit for a percentage of the annual costs of long term care insurance

The Hawaii Long Term Care Association wholeheartedly supports S.B. 1448, which establishes a tax credit for a percentage of the annual costs of long term care insurance

In its mission statement, the HLTCA says: "*How we provide for Hawaii's kupuna, chronically ill and convalescent disabled is a measure of the respect and compassion we have for them . . . a reflection of our dignity as a society.*" It is a bitter reality, however, that, as fundamentally as our caring for the State's elderly and disabled is driven by true Aloha, that mission of love is inevitably and inextricably tied to economics.

Nursing home costs often exceed a family's ability to pay, threatening financial self-sufficiency, even survival. Even those who seek greater utilization of home-and community-based services find that such services are still costly in their own right. There are social and familial prices to pay as well. As the dependency of an elder increases over the years, caregivers -- usually the family -- may work reduced hours at their jobs; adjust or abandon career and personal goals; place their own health in jeopardy; expose themselves to increased debilitation from overwork as they age; and retire earlier than intended, resulting in lower pensions and retirement benefits. This problem is magnified when one considers the high cost of living in Hawaii and the necessity for people to hold two or more jobs.

Federal and state financing of care cannot continued to be relied upon as the end-all and be-all for long term care. A significantly larger, if not primary, proportion of long term care financing has to come from private insurance.

Establishing a long term care insurance tax credit, as described in this measure, would provide a substantial incentive and stimulus in moving our citizenry in an absolutely necessary direction.

We urge your passage of this legislation. Thank you.

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TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN SUPPORT OF SB 1448, RELATING TO LONG TERM CARE INSURANCE

February 8, 2011

Senator Rosalyn H. Baker, Chair
Committee on Commerce and Consumer Protection
Senator Suzanne Chun-Oakland, Chair
Committee on Human Services
State Senate
Hawaii State Capital, Conference Room 016
415 S. Beretania Street
Honolulu, HI 96813

Dear Chair Baker, Chair Chun-Oakland and Committee Members:

Thank you for the opportunity to testify in support of SB 1448, relating to long term care insurance.

Our firm represents the American Council of Life Insurers ("ACLI"), a national trade association, who represents more than three hundred (300) legal reserve life insurer and fraternal benefit society member companies operating in the United States. These member companies account for 90% of the assets and premiums of the United States Life and annuity industry. ACLI member company assets account for 91% of legal reserve company total assets. Two hundred thirty-nine (239) ACLI member companies currently do business in the State of Hawaii; and they represent 93% of the life insurance premiums and 95% of the annuity considerations in this State.

ACLI generally believes that as a matter of public policy the State of Hawaii should encourage individuals to provide for their own financial well-being. If a family is unable to support its long-term care needs, the State will need to spend its scare resources for that purpose.

ACLI supports SB 1448, which provides an income tax credit to qualified resident individual taxpayers in an amount equal to an unstated percentage of the long-term care insurance cost incurred by the taxpayer up to an unstated dollar amount.

Again, thank you for the opportunity to testify in support of SB 1448.

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Senate Committee on Commerce and Consumer Protection
Senator Rosalyn Baker, Chair
Senator Brian Taniguchi, Vice Chair

Senate Committee on Human Services
Senator Suzie Chun Oakland, Chair
Senator Les Ihara, Vice Chair

Hearing Date: February 8, 2011
Hearing Time: 1:30 pm

RE: SB 1448 – Relating to Long Term Care Insurance

Chairs Baker & Chun-Oakland, Vice Chairs Taniguchi & Ihara and Members of the Committees, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life and health insurance agents throughout Hawaii, who primarily sell life insurance, annuities, long term care and disability income policies.

We support the intent of SB 1448, that will allow a tax credit to those individuals who purchase long term care insurance including a partnership, a S-corporation, a trust or an estate. The amount of the tax credit and the maximum amount of the credit is blank.

We have testified and supported similar measures over the years. We would like to suggest to allow employers to qualify for this tax credit for LTC insurance for their employees when purchased as an employee benefit. Employers will then be able to deduct the insurance premium payment and employees will benefit from the group rates that can be extended to family members. This tax credit will be an incentive to both the employers and employees to purchase LTC insurance.

Government's support of a tax incentive in encouraging individual responsibility for long term care financing is a step towards solving this complex issue. Our citizens will have these products to protect themselves against catastrophic long term care expenses. The expansion of this market will reduce Medicaid outlays and future costs to both the federal and state governments.

Mahalo for allowing us to share our views.

Cynthia Takenaka
Executive Director
NAIFA-Hawaii@hawaii.rr.com

Testimony to the Senate Committees on Commerce and Consumer Protection and Human Services

Tues., Feb. 8, 2011 1:30 p.m.

Conference Room 016, State Capitol

Re: SB1448 Relating to Long-Term Care Insurance

Chair Baker, Chair Chun Oakland, and committee members:

I am Carolyn Fujioka on behalf of State Farm Mutual Automobile Insurance Company, a mutual company owned by its policyholders. State Farm supports SB 1448.

State Farm supports measures that will improve affordability, availability and choice in health insurance. Incentives such as the tax credit proposed in SB 1448 for Long-Term Care premiums, will encourage individuals to take responsibility for providing for their, and their loved ones, potential future needs, through purchase of Long-Term Care coverage that best serves their individual circumstances.

A tax credit will effectively lower the cost of purchasing a Long-Term Care policy. The greater the tax credit provided, the more incentive people will have to purchase coverage for their future needs.

Thank you for the opportunity to testify.

The Twenty-Sixth Legislature
Regular Session of 2011

THE SENATE
Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair
Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair

State Capitol, Conference Room 016
Tuesday, February 8, 2011; 1:30 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1448
RELATING TO LONG-TERM CARE INSURANCE

The ILWU Local 142 supports S.B. 1448, which establishes a tax credit for an unspecified percentage of the annual costs of long-term care insurance.

Providing a tax credit to encourage more residents to purchase long-term care insurance should prove to save the State money in the long run. Those with long-term care insurance are not likely to seek Medicaid help for nursing home costs, thus saving the State the cost of matching funds needed to support Medicaid dollars for nursing home care.

Without long-term care insurance, more and more people faced with outrageously expensive nursing home costs will try to find ways to qualify for Medicaid, thereby shifting the cost burden to government. But if more people have their own long-term care insurance coverage, the problem will, at best, be eliminated or, at worst, reduced as Medicaid eligibility will be delayed.

The ILWU urges passage of S.B. 1448. Thank you for the opportunity to testify on this matter.

SUBJECT: INCOME, Credit for long-term care insurance premiums

BILL NUMBER: SB 1448

INTRODUCED BY: Kim, Chun Oakland, Green, Shimabukuro, 9 Democrats and 1 Republican

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow taxpayers to claim a tax credit of ____% of the amount paid for a long-term care insurance premium, up to a maximum of $_______.

Credits in excess of a taxpayer's income tax liability will be applied to subsequent tax liability. Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year. The director of taxation may adopt rules pursuant to HRS chapter 91 and prepare the necessary forms to claim the credit and may require proof of claim for the credit.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for costs incurred by the entity for the taxable year with the cost on which the credit is computed determined at the entity level with distribution and share of the credit determined pursuant to section 704(b) (with respect to partner's distributive share) of the Internal Revenue Code.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: This measure provides an incentive to taxpayers to purchase long-term care insurance premiums by allowing taxpayers to claim a credit for amounts paid for such insurance. While the proposed measure would merely result in a partial refund of the amount taxpayers paid for long-term care insurance premiums, the question now is whether or not the state can afford an incentive given all the other competing requests for new credits, existing credits and the search for revenues to balance the state budget.

Further, it should be noted that the state law conforms to the federal law in the area of medical and dental costs incurred including a deduction for qualified long-term care insurance premiums. The amount deductible is limited depending on the age of the taxpayer. The amount deductible ranges from $330 for taxpayers age 40 and under to $4,110 for taxpayers age 71 and over. Thus, if this credit is adopted without limitation, a taxpayer could claim a double benefit for long-term care insurance premiums paid.

In addition, lawmakers should not overlook the fact that unless the necessary services and facilities are available and in ample supply, no amount of insurance or money will be able to access the needed care. Like early childhood care and education, the same trilemma of affordability, accessibility and quality apply to long-term care as well.

Digested 2/7/11

February 8, 2011
RE: SB 1448, RELATING TO LONG-TERM CARE INSURANCE

Aloha Committees on Commerce and Consumer Protection and on Human Services,

I wish to present testimony in favor of SB 1448, concerning the creation of a tax-credit for the purchase of long-term care insurance (ltci) protection. Although I own Long-Term Care Advisors and have been a ltci specialist for ten years, my advocacy for this ltci tax incentive transcends my self-interest and indeed is supported by the Federal and the majority of state governments to encourage citizens to own ltci protection. There are numerous important and compelling reasons for ltci tax credit incentives:

1. There is a 70% likelihood of needing some form of ltc in our lives.

2. Our life spans are increasing; the largest age demographic group, the Baby Boomers - those born from 1946 to 1964 - are reaching senior status with 8,000 Baby Boomer reaching age 65 every day this year.

3. Baby Boomers are expected to live even longer than the previous generation because of health consciousness & due to medical advances; a person age 65 today will live into his or her 90's.

4. Currently the majority of ltci claims is for cognitive impairment: Alzheimer's Disease (AD) is the most prevalent form of Dementia afflicting 5.3 million Americans and is the sixth leading cause of death.

5. The estimated annual cost for AD is $172 billion with an additional $60 billion from lost productivity - sometimes termed "presenteeism" - and absenteeism.

6. There are 10.9 million unpaid AD caregivers, two-thirds of who rate their stress as high or very high affecting their health, employment, income and financial security.

7. AD patients costs Medicare three times more and Medicaid nine times more than someone without it; from 2010 to 2050, AD costs will increase over 600% to over $20 trillion and likely will be the second leading cause of death.

Because of the increasing high risks and costs of long-term care, it is obvious that the state government needs to encourage the ownership of ltci with incentives as the proposed tax credit. The alternative is to do nothing and let long-term care needs continue to impoverish patients without coverage concurrently depleting Medicaid funds, the majority of which is <u>now</u> dedicated to long-term care needs funding in Hawaii.

The State of Hawaii needs to also seriously and proactively adopt an ltci <u>Partnership Program</u> which already exists in more than half of our states, as a further incentive to own ltci. The Partnership Program authorized under the Deficit Reduction Act of 2005 allows ltci policyholders who use ltci benefits to exempt the same dollar amount used from consideration for qualification for Medicaid benefits - what is called an "asset disregard". For example, if a Partnership-qualified ltci policyholder uses $100,000 in ltc benefits, he or she can apply for Medicaid and if eligible, retain $100,000 of assets in excess of the State's Medicaid asset limit, typically $2,000 for a single person.

It has been my anecdotal observation that Hawaii is often far behind in approving new insurance provisions & products to which other states have been open and quick to assess as worthy for implementation (Partnership, for example, has been available since 2005 and is utilized by a majority of states). The Partnership Program has provided a "cushion" of ltci benefits for policyholders from depleting their assets. These ltci benefits generally pay for most, if not all, of their long-term care needs thus minimizing the need for Medicare to fund long-term care needs.

Hawaii has 2.5 times the number of older people than the mainland, the longest lived population in the U.S., high priced nursing homes at near capacity and thousands of seniors "aging in place" - getting care they need at home or in the community. We need to proactively adopt long-term care insurance tax credits and legislation like the Partnership Program which has proven successful elsewhere in encouraging the public to own long-term care protection. Proverbs 27:12 states: "The prudent see danger coming and take shelter, but the simple keep going and suffer for it."

Further information about Long-Term Care protection and the Partnership Program can be found on the U.S. Department of Health and Human Services website www.longtermcare.gov. I am happy to be of service to you. Please email ltca@hawaii.rr.com or call me if you have questions: 485-8888.

Mahalo ke Akua,

John Wesley Nakao, CLTC, CSA
Long-Term Care Risk Management Specialist
485-8888

Eric Arquero

From: Lynn Murakami-Akatsuka [lkakatsu@hawaii.rr.com]
Sent: Wednesday, February 02, 2011 8:21 PM
To: CPN Testimony
Subject: Testimony for SB 1448 on 2/8/2011 at 1:30 PM

Testimony for Committee on Commerce and Consumer Protection and Committee on Human Services, 2/8/2011 at 1:30 PM

Conference room: 016
Testifier position: Strongly support
Testifier will be present: NO
Submitted by: Lynn Murakami-Akatsuka
Organization: Individual
Address: 45-606 Keole Street; Kaneohe, HI 96744
E-mail: lkakatsu@hawaii.rr.com
Submitted on: 2/2/2011

Comments: The purpose of this bill establishes a tax credit for an unspecified percentage of the annual costs of long-term care insurance.
As one of the "baby boomers" and a caregiver of young children under age 18 years old and a caregiver with other siblings of my elderly mother aged 87 years old; I strongly support this bill for passage. It is difficult to imagine the cost when I will need home care services or be placed in a nursing home when I reach my mother's age. I have a physical disability which over time has degenerated and now I am using a cane for stability. Long term care insurance premiums are not cheap if one gets it in their late 50's and beyond for one's self and spouse. A tax credit would enable my husband and I to plan for self-insuring ourselves so that we are not a burden to our children as we age and may need long term care assistance in the future.

I strongly support this bill SB 1448. Thank you for the for opportunity to testify.