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Testimony in Support of HB 218
Long-Term Care Relief Act

Testimony by Delegate Vaughn Stewart
February 1, 2024 • Ways and Means Committee

The state of long-term care insurance in Maryland

Long-term care insurance policies can be a great tool for older Marylanders to help pay for services that Medicare can't cover, including transportation and in-home care. Many working- and middle-class Maryland seniors did what all the experts recommended: They bought a policy in their 50s or 60s and thought they had saved enough money to afford the premiums for the rest of their lives.

Unfortunately, insurance companies' faulty actuarial math in the 1970s has led to never-ending premium hikes for long-term care insurance. When these policies were initially introduced in the 1970s, the assumptions they made about policyholder behavior were inaccurate. Principally, the companies misjudged how long seniors would hold onto their policies. As a result, long-term care insurers must raise premiums nearly every year, often up to the 15% cap imposed by regulation. Many seniors have exhausted their life savings to afford these rate hikes; they often total several hundreds of additional dollars per year.

To illustrate, one policy holder with Genworth life insurance had his premium increase from $3,156 in 2014 to $4,900 in 2020. Another had his premium increase from $2,238 to $4,345 between 2002 and 2015-- close to doubling the rate he initially bargained for. A third will have her and her partner's total annual premium increase from $7,450 to nearly $10,000. Seniors tell us that they've skipped meals, sold their homes, and rationed prescriptions to afford these rate hikes.

What the bill does

HB 218 establishes a tax credit to help those seniors who purchased long-term insurance plans before 2005. The value of the annual credit is the lesser of 15% of the eligible premiums paid or $1,500 The tax credit is not available to taxpayers who are under 85 years of age or who have an adjusted gross income of more than $100,000 for individuals or $200,000 for joint filers.

Why the committee should vote favorably

The seniors who maintained these policies despite the astronomical premium increases saved taxpayers a fortune. Had most of these policy holders abandoned their insurance plans and instead relied on Medicaid to cover their long-term care expenses, it would've been a huge hit to the state budget. This bill rewards these seniors for their prudence, while encouraging them to keep sticking with their plans into the future.

Now more than ever, our seniors need every ounce of financial relief. This bill is a small step toward providing more stability and more dignity for our state's oldest (and wisest) residents.

I urge a favorable report.