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**Senate Bill 86**

**Income Tax – Credit for Long Term Care Premiums (Long-Term Care Relief Act of 2024)**

**Senate Budget & Taxation Committee**

**Position: Favorable**

Dear Chairman Guzzone, Vice Chair Kagan and Members of the Senate Budget & Taxation Committee,

NAIFA-MD (“The National Association of Insurance and Financial Advisors – Maryland Chapter”) appreciates the opportunity to submit written testimony on Senate Bill 86. NAIFA-MD is made up of insurance agents and advisors, financial advisors and financial planners, investment advisors, broker/dealers, multiline agents, health insurance and employee benefits specialists, and more. We are the closest to the consumer and provide products, services, and guidance that increase financial literacy in our society, protect their clients against life’s inherent risks, help hard-working Americans prepare for retirement, and create financial security and prosperity so their clients can leave a legacy for future generations.

NAIFA-MD supports this legislation as it provides more assistance for individuals who have purchased these very important long-term care policies. Anything that helps people with this vital coverage is a good thing. We hope that the changes made to last year’s legislation allow for some relief to people who have done the responsible thing by purchasing such coverage.

Sincerely,

Brett Lininger

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**SB0086\_Tax\_Credit\_for\_LTC\_MLC\_FAV.pdf**

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Position: FAV



**TESTIMONY FOR SB0086  
INCOME TAX – CREDIT FOR LONG-TERM CARE PREMIUMS (LONG-  
TERM CARE RELIEF ACT OF 2024)**

**Bill Sponsor:** Senator Klausmeier

**Committee:** Budget and Tax

**Organization Submitting:** Maryland Legislative Coalition

**Person Submitting:** Cecilia Plante, co-chair

**Position:** **FAVORABLE**

I am submitting this testimony in favor of SB0086 on behalf of the Maryland Legislative Coalition. The Maryland Legislative Coalition is an association of activists - individuals and grassroots groups in every district in the state. We are unpaid citizen lobbyists and our Coalition supports well over 30,000 members.

My long-term care insurance has gone up substantially every year, although there is no change in the benefits I would receive. The company, Genworth, has made a plea for me to cut my benefits drastically in order to avoid most of the increase. I pay a fortune for that insurance and it seems to me that there is an unconscionable amount of greed involved. Genworth is making a fortune from me and many other seniors in this state. They are preying on the residents with fixed incomes and this needs to stop.

Our members believe that you should not have to legislate this level of common decency, but the facts are that long-term care providers are forcing some seniors into bankruptcy over their premium increases while giving out bonuses to their management or dividends to their investors. We also believe that seniors should get some assistance in paying for these premium increases and a tax credit is not only warranted, but long overdue.

We support this bill and recommend a **FAVORABLE** report in committee.

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Position: FAV



The **League** of Life  
and Health Insurers  
of Maryland



January 18, 2024

The Honorable Guy Guzzone  
Chair, House Ways & Means Committee  
3 West  
Miller Senate Office Building  
Annapolis, MD 21401

**RE:** Senate Bill 86 – Income Tax – Credit for Long-Term Care Premiums (Long-Term Care Relief Act of 2024)

**Favorable**

Dear Chairman Guzzone:

The **American Council of Life Insurers** and the **League of Life and Health Insurers of Maryland** strongly **support Senate Bill 86** because we believe that it is important to encourage long-term care insurance policyholders in Maryland to keep their coverage to ensure they are prepared for future long-term care needs.

According to the U.S. Department of Health and Human Services, nearly 70 percent of individuals turning 65 will likely use some form of long-term care during their lives. Today about one in five Americans over age 65 and almost half of those over age 85 need assistance with everyday activities. The cost of long-term care services, both nursing home stays and home care is rising dramatically. For example, the national average of one year in a nursing home costs around \$80,000 today and is expected to rise to \$190,000 by 2030. By 2030, Medicaid's portion of total nursing home expenditures will reach \$151 billion, nationally.

Long-term care insurance can provide financial protection and peace of mind; without it, Marylanders could see their retirement savings and assets depleted by long-term illness. The benefits of long-term care insurance are many and varied and reach beyond policyholders to include family caregivers. Public programs, specifically Medicaid, also benefit through reduced

expenditures on long-term care. Below, we summarize the value that long-term care insurance provides to policyholders, caregivers, and Medicaid.<sup>1</sup>

### **The Value of Long-Term Care Insurance to Policyholders**

- Long-term care insurance provides a more cost-effective way to pay for long-term care services than relying on personal savings. To pay for the same amount of services covered by insurance costing \$188 a month, a 60-year old person would have to put aside \$1,666 a month over 22 years.
- If an individual sets aside and invests the value of the average long-term care insurance premium for 22 years, she would accumulate only enough to pay for six months of care. By putting the same amount into premiums, she could own a policy covering more than three years of care.
- Roughly 22 years of premium payments would be returned after only five months of receiving the average long-term care insurance policy's full daily benefit.
- Compared to those without long-term care insurance, insureds reduce their out-of-pocket long-term care costs by between \$3,000 and \$5,000 a month (depending on the service setting).
- Most claimants agree that long-term care insurance enhances access and flexibility as they seek to obtain the services of their choice.
- Individuals with long-term care insurance receive on average 35 percent more hours of care than those without, and their care is also somewhat more likely to address their needs than that received by the uninsured.

### **The Value of Long-Term Care Insurance to Family Caregivers**

- Individuals caring for family members with long-term care insurance are nearly twice as likely to be able to work as when there is no insurance.
- Caregivers for long-term care insurance claimants experience less stress in finding appropriate services for their loved one because of assistance from care coordinators provided by insurers.
- The services paid for by insurance enables family members to spend less time on hands-on care and more on social interaction and companionship with their relatives, improving the caregiving experience.

### **The Value of Long-Term Care Insurance to Medicaid**

- Because long-term care insurance covers a majority of long-term care costs, insureds are not forced to rely on Medicaid, and Medicaid spend-down rates are reduced.
- Between 21 and 31 percent of insured nursing home residents would spend down to qualify for Medicaid if they did not have long-term care insurance. Fewer than 5 percent of those with long-term care policies spend down to Medicaid.

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<sup>1</sup> "The Benefits of Long-Term Care Insurance and What They Mean for Long-Term Care Financing," AHIP by LifePlans, INC, November 2014.

- The 7.4 million current policyholders are expected to save the Medicaid program \$75 billion over their lifetimes. Annual Medicaid savings per in-force policy are roughly \$500.

As the demographic balance shifts over the coming decades toward greater numbers of elders living longer lives, there will be tremendous demands placed on the long-term care system. A robust private insurance market will help support the growth and development of a high-quality services infrastructure to meet these growing demands. Increased purchase of long-term care insurance can serve as a significant source of financing for nursing home care, at-home care and hospice care and can greatly reduce Maryland's out-of-pocket expenditures. Encouraging growth, especially among middle-income purchasers of long-term care insurance will lead to meaningful reductions in lifetime Medicaid costs. These reductions could be used to cost-justify the targeted income tax credit that is designed to encourage middle-income consumers to buy.

Passage of income tax credits for long-term care insurance will benefit policyholders and caregivers and improve overall financing of long-term care in Maryland. **We support Senate Bill 86** and very much urge the Committee to give the bill a favorable report.

cc: Members, Senate Budget and Taxation Committee