



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.

---

<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