

What's Next in State Mandated LTC?

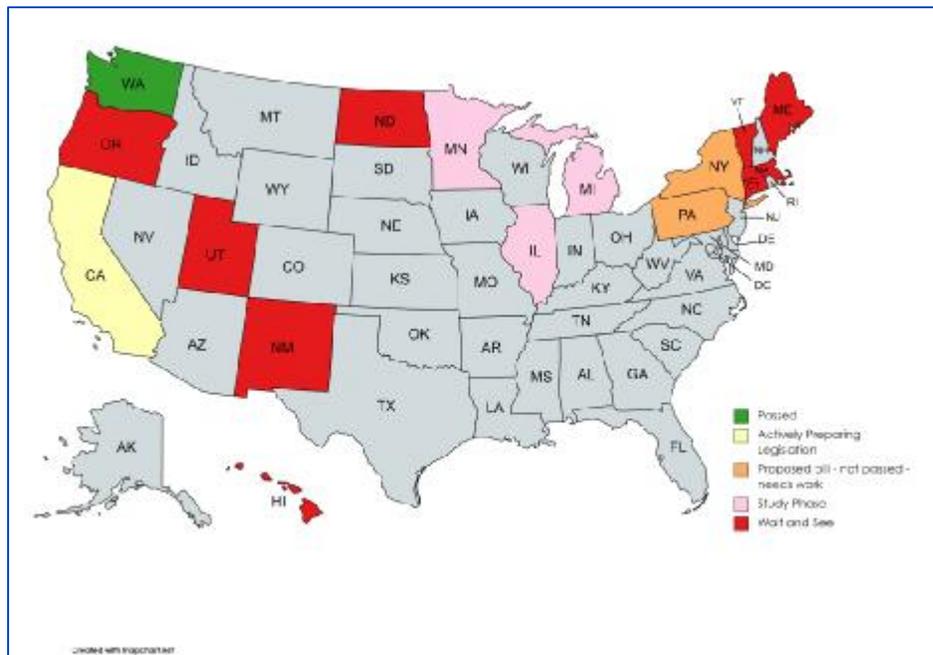
Shawn Britt - CLU, CLTC
Director- LTC Initiatives, Advanced Consulting Group

The WA Cares Fund was the first state-mandated, publicly-funded long-term care (LTC) insurance program in the nation to be passed – though implementation has been delayed until July 1, 2023. Now, we find other states looking into whether they should follow with their own platform. Will these states create programs similar to Washington, or go a different direction?

First, it may help to understand why states are looking at publicly funded LTC programs. LTC expenditures are the number one use of Medicaid budgets, stretching these budgets beyond limits. State mandated LTC benefits funded by the public could help ease Medicaid budgets by being the first dollar paid before Medicaid would kick in for those who qualify. In addition to helping to sustain the financial health of Medicaid budgets, states generally have family centric goals including:

- Providing the middle class with affordable LTC coverage to help pay for care – often with a focus on home care.
- Financially supplement family members who need to reduce hours or leave a job to provide care for a loved one.

The solution to LTC challenges is not simple. Affordability, insurability, and access to quality care of choice are key issues states face, and these concerns cannot be solved solely by the states or by the LTC insurance companies. Ideally, a partnership of ideas is needed to serve a broader audience. Approximately **30%** of states are showing some level of interest in pursuing solutions to their own state's long-term care challenges. The following states are in various stages of development, from actively preparing legislation, looking at adjustments to bills written, studying the issue, or waiting and watching. States to watch are:



STATES TO WATCH:

- California
- New York
- Pennsylvania
- Connecticut
- Hawaii
- Illinois
- Maine
- Massachusetts
- Michigan
- Minnesota
- New Mexico
- North Dakota
- Oregon
- Vermont
- Utah

The state farthest along with full-fledged study and planning is California. The CA task force has done extensive work building models for consideration in proposing a final bill. In addition, they included two distinguished LTC actuaries as part of the task force, and have welcomed guidance from the LTC industry. As of this writing, they have narrowed down possibilities to a few models, most of which would allow an opt-out of the state tax for those owning LTC insurance prior to enactment of the bill. They are also considering a reduced tax with back-end benefits for those buying LTC insurance after the bill is enacted.

New York proposed a bill in May of 2022, just prior to the close this year's session at the end of June. The bill as currently written looks very similar to the WA Cares Fund. However, the offer to opt-out of the state tax is limited to individuals owning LTC insurance by January 1st of the year the article (bill) takes effect. The current definition of long-term care insurance in NY only applies to traditional LTC insurance. It is hoped that New York will expand their definition of LTC insurance to include other forms of LTC coverage, similar to the Washington state definition.

Pennsylvania also proposed a bill in 2022. Provisions in the bill come primarily from the WA Cares Fund "template", including a premium tax of 0.58%. A tax exemption for those owning LTC insurance is included, but no further details exist yet.

THE IMPORTANCE OF HAVING PRIVATE LTC COVERAGE

Whether to opt out of a state mandated LTC program (if available) is an individual decision. However, having privately owned LTC insurance - whether to supplement state benefits or own as sole LTC protection – is important for many reasons.

- **Guaranteed premiums and benefits** are available on linked-benefit LTC policies and some LTC riders on life insurance.
- **More benefit leverage and larger benefit amounts** are usually obtained with private LTC coverage.
- **More choice of care options.** Private LTC coverage offers flexibility of choice regarding care providers, and with cash indemnity benefits, the insurance company places no restrictions on how LTC benefits are used.
- **Guaranteed portability between states.** Some carriers will also pay LTC claims for insureds living outside the U.S.¹
- **Guaranteed annual inflation** where that feature is available and chosen – with many percentage options to choose from.
- **Premium protection.** Linked benefit LTC policies and LTC riders on life insurance and annuities will generally protect at least the amount of premiums paid or more if the policy is little or never used. Varies by product.
- **Increase your client's marketability as a patient.** Care providers/facilities value individuals with private insurance who can pay the billed rate. Medicaid and state benefits might not reimburse care providers enough to cover costs of care.
- **Avoid the rush.** Another mad rush as in WA, to purchase exemption-approved LTC coverage by a deadline date, could force carriers to limit product choices or increase minimum coverage to control application numbers, or pull out entirely.

State LTC programs may be of help to many constituents of a state; but individuals who can afford private LTC coverage may appreciate the additional value these policies provide – whether as their sole LTC protection or as additional benefits to supplement basic state LTC benefits.

As an industry, we need to be showing clients LTC coverage for the right reasons, not just to avoid an unwanted tax. Today's private LTC market offers products that are more affordable than in the past and can pair with other financial needs (i.e., life insurance) or offer guaranteed premiums, tax free benefits, and protect premium from loss if the policy is little or never used.

¹ Please check with the insurance company for availability and details.



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