



## **STATE-MANDATED LONG-TERM CARE INSURANCE PROGRAMS**

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*Since the Washington Cares Act passed in 2021, other states are looking to follow suit with their own public long-term care insurance programs.*

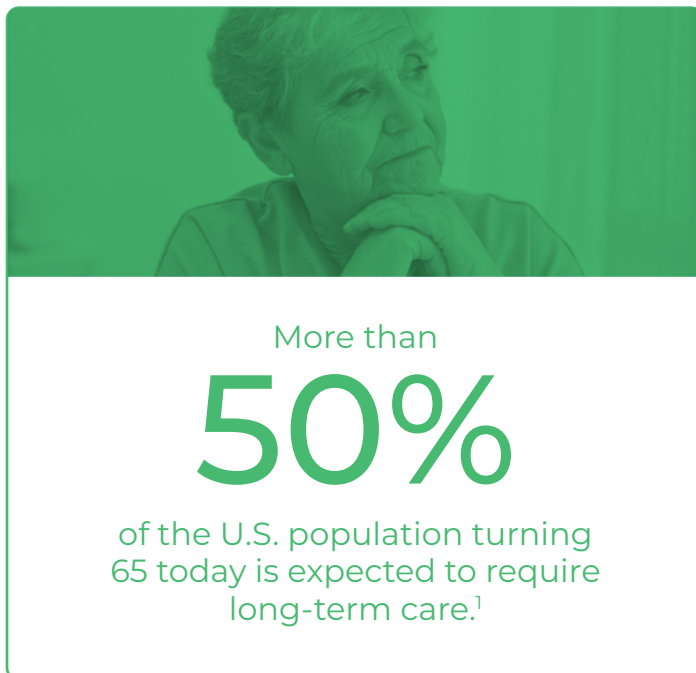
*Here's what to expect.*



## The Need for Long-Term Care Coverage

As the Baby Boomer generation continues to age, and the population is living longer, the need for long-term care is greater now than ever before. Unfortunately, many seniors are unprepared for the high costs associated with long-term care, leaving them to rely on Medicaid. Accounting for the majority of states' Medicaid budgets, long-term care (LTC) expenditures may soon stretch many states beyond their limits. This has prompted some states to explore alternative options, including state-mandated LTC programs funded by the public. The main goals of these programs are to:

- ✓ Provide affordable LTC coverage to middle-class residents
- ✓ Delay or prevent the need for Medicaid benefits

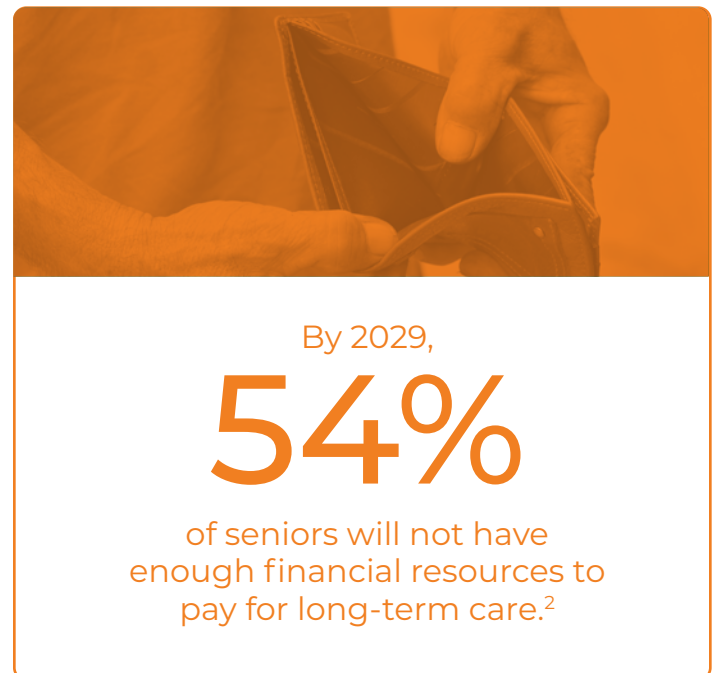


<sup>1</sup>U.S. Department of Health and Human Services | <sup>2</sup>Health Affairs

## What's Happening in Washington?

In 2021, Washington State became the first state to launch a publicly funded long-term care program: the **Washington Cares Fund**. This program, which was implemented on July 1, 2023, initiated a 0.58% income tax per \$100 on all W-2 employees aged 18 years and older. After contributing for at least 10 years (or less in certain circumstances), individuals who need care can access an earned lifetime benefit of \$36,500 (adjusted for inflation) to cover LTC services. Washington residents were given the opportunity to opt out of the program by purchasing private long-term care insurance. As a result, the state saw a surge of private LTC insurance sales.

As other states explore options to alleviate the burden of LTC spending on the Medicaid budget, some may create programs similar to Washington, while others may go a different direction. States that are exploring a mandated tax are considering the opt-out timelines and have chosen to limit options. As these programs evolve, many individuals will be seeking private long-term care insurance to ensure they have the coverage they need.



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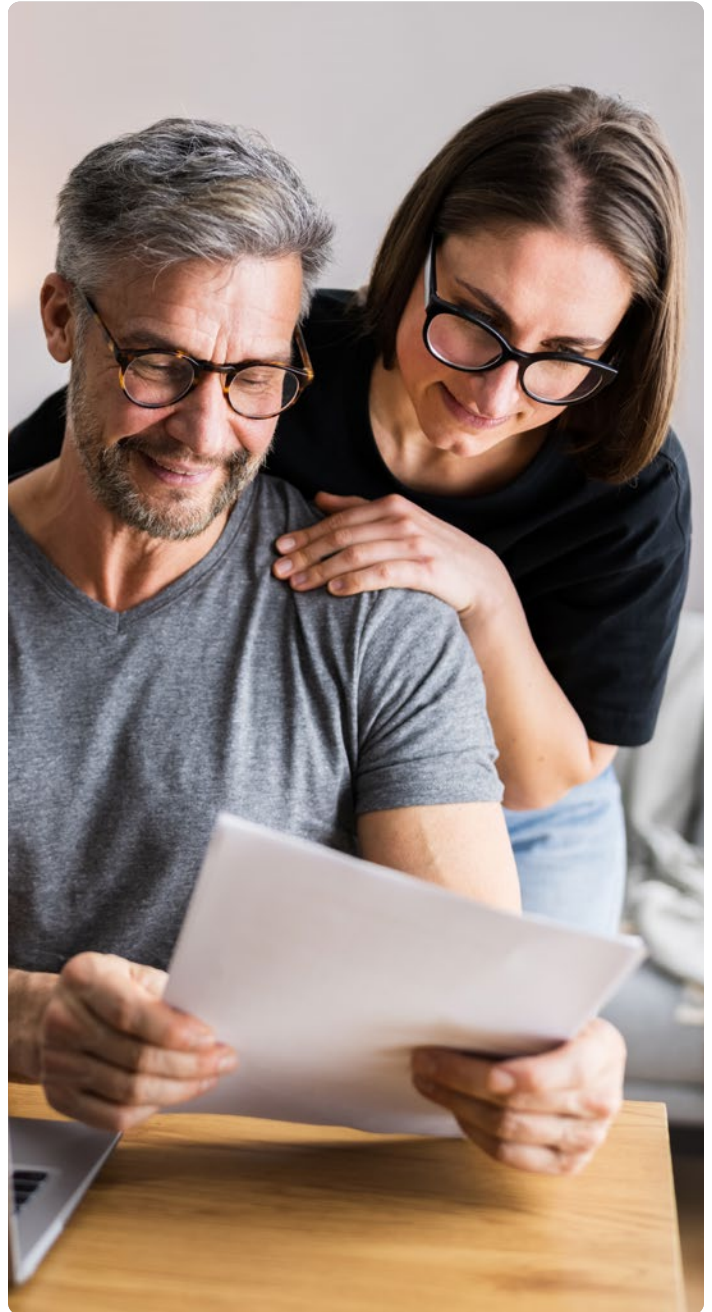
# The Importance of Private Long-Term Care Insurance

Whether they want to opt out of a state-mandated LTC program or simply want to guarantee future LTC coverage, purchasing private LTC insurance is a great way for individuals to secure their financial future and ensure they can get the care they need, when they need it, and where they want it. Here are some reasons why your clients may want to purchase private long-term care insurance rather than rely fully on a potential public program in their state:

- ✓ The choice of a policy that pays benefits how they want to receive them, including full cash indemnity
- ✓ Guaranteed premiums and benefits
- ✓ More benefit leverage, especially for high earners
- ✓ Guaranteed transferability between states
- ✓ The choice of a policy with guaranteed annual inflation
- ✓ Premium protection with asset-based (or hybrid) LTC products
- ✓ Avoid the rush to purchase exemption-approved LTC coverage, which could lead insurance carriers to limit product choices, increase minimum coverage, or pull out of the state entirely
- ✓ Increase their appeal as a patient and facility resident

Public LTC programs may benefit many individuals, but those who can afford private coverage can take advantage of the additional benefits of these policies—beyond simply avoiding an unwanted tax. Private long-term care coverage offers more flexibility as to where they receive care and ensures benefits can be transferred to any state.

As more states explore public long-term care programs, an increasing number of individuals will be seeking private coverage. You are in a unique position to guide clients through their options and help them obtain the long-term care coverage they need.



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## WHO PURCHASES LTCI?



**Parents or Married Couples**  
To avoid burdening their spouse or children



**Women**  
Who recognize they have a longer life expectancy



**Business Owners**  
To benefit from tax advantages



**High Net Worth Individuals**  
To protect their legacy



**Single Individuals or Those Without Children**  
Who have limited options for other caregivers

## WHAT MOTIVATES CLIENTS TO BUY LTCI?

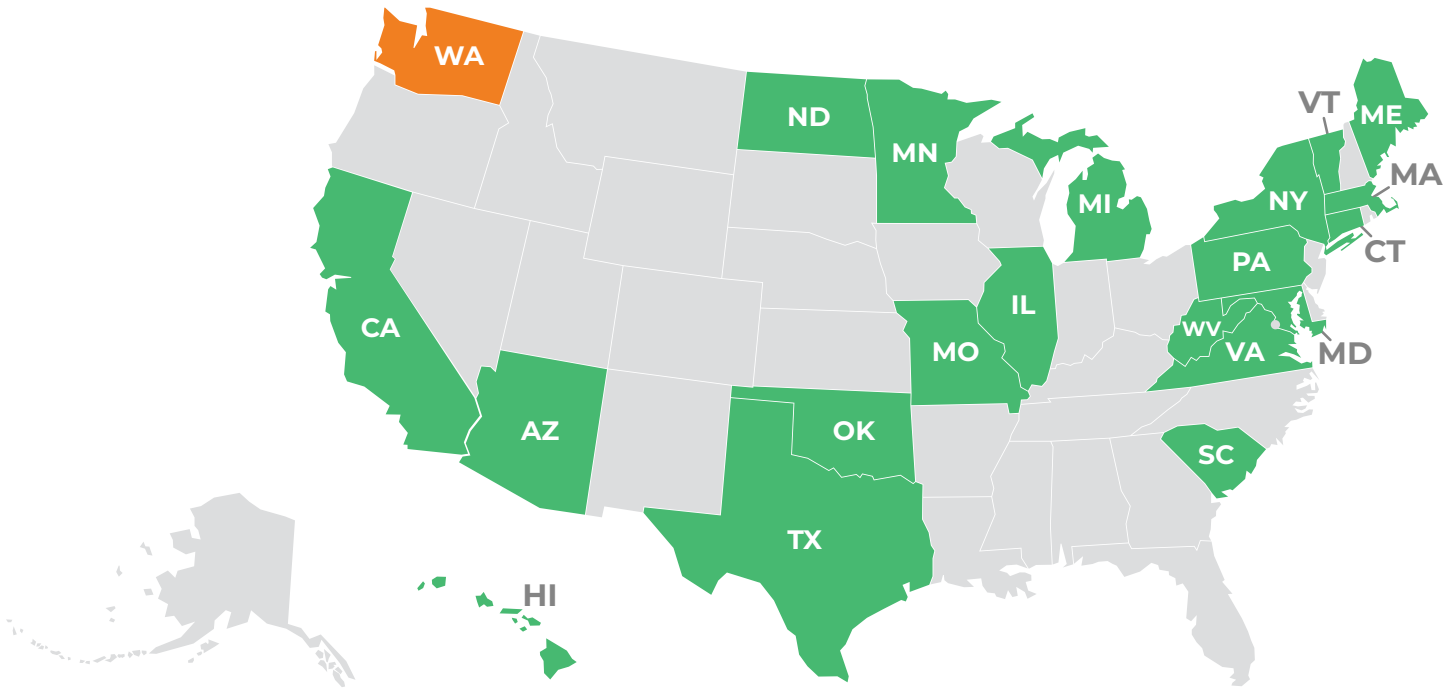
- ✓ To avoid being a burden through physical dependency on their loved ones
- ✓ To choose where and when they receive long-term care services
- ✓ To avoid the emotional and financial duress of crisis Medicaid planning
- ✓ To preserve assets for themselves or the next generation
- ✓ To maintain independence and control over their lives and assets



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# Long-Term Care Program Progress by State

UPDATED JUNE 2023



STATE	DATE UPDATED	UPDATES
<b>Arizona (AZ)</b>	6/13/2023	<ul style="list-style-type: none"> <li>House bill seeking to create caregiver tax credits/ caregiving expenses</li> </ul>
<b>California (CA)</b>	6/13/2023	<ul style="list-style-type: none"> <li>Established a Long-Term Care Insurance Task Force in the California Department of Insurance in 2019 to explore the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports</li> <li>Task force feasibility report to insurance commissioner, governor, and legislature completed by 01/01/2023</li> <li>2023 actuarial analysis being conducted</li> <li>Final actuarial report due to legislature on or before 01/01/2024</li> <li>Will likely NOT give CA residents advance notice to opt-out/buy LTC plans</li> <li>Potential legislation during the 2024 or 2025 session</li> </ul>

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STATE	DATE UPDATED	UPDATES
<b>Connecticut (CT)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Multiple bills in 2023 session <ul style="list-style-type: none"> <li>• One proposing a study to see what percentage of people are using long-term care</li> </ul> </li> <li>• Several seeking limits and changes to LTC rate increase regulations</li> <li>• Several seeking deductions or credits for the purchase of LTC</li> </ul>
<b>Hawaii (HI)</b>	6/12/2023	<ul style="list-style-type: none"> <li>• Kapuna Caregivers Program created in 2018 <ul style="list-style-type: none"> <li>• Intended for employed Hawaiian residents who are also unpaid primary caregivers of a senior relative</li> </ul> </li> <li>• Helps ease the financial burden of providing care for a loved one, while allowing the caregiver to continue their employment outside of the home</li> </ul>
<b>Illinois (IL)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Nothing relating to LTC, just genetic information privacy bill</li> </ul>
<b>Maine (ME)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Nothing in 2023 regarding LTC, but a bill on long-term disability</li> <li>• In 2018, Maine voters voted down a bill that increased taxes on the wealthy to fund universal home care.</li> </ul>
<b>Maryland (MD)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Bill proposing a tax credit for the purchase of long-term care insurance</li> </ul>
<b>Massachusetts (MA)</b>	6/9/2023	<ul style="list-style-type: none"> <li>• House Bill 652 introduced by House, Senate concurred <ul style="list-style-type: none"> <li>• Special commission to establish a statewide LTC insurance program (similar to WA state)</li> <li>• Referred to the Committee on Elder Affairs</li> <li>• Joint hearing held 5/15/23 with no action taken at this time</li> </ul> </li> <li>• Executive Office of Health &amp; Human Services to produce an actuarial report with recommendations within two years</li> </ul>

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<b>Michigan (MI)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• HB 4674 introduced in 2017 to conduct impact study related to LTC needs, did not go past committee</li> <li>• 2019 Michigan Appropriations bill, Michigan Dept. of Health &amp; Human Services conducted study of benefit options for LTSS, study of Michigan LTSS workforce</li> </ul>
<b>Minnesota (MN)</b>	6/9/2023	<ul style="list-style-type: none"> <li>• Minnesota Dept. of Human Services Aging Division RFP, Dec. 2022 <ul style="list-style-type: none"> <li>• Study LTC usage, access and funding in MN</li> <li>• \$700k RFP awarded to FTI Consulting</li> <li>• Report due 6/24/2023</li> <li>• Potential legislation introduced in 2024</li> </ul> </li> <li>• MN Legislature concluded 5/22/2023 with no tax related legislation introduced this year</li> <li>• Currently several bills addressing tax credits for LTC</li> <li>• Of note: Society of Actuaries Report <ul style="list-style-type: none"> <li>• Phase 1 (Feb. 2023)</li> <li>• Payroll tax estimated from .75% to 2.25%</li> <li>• Options: Catastrophic and/or Condition Specific (e.g., Alzheimer's, ALS, MS, etc.)</li> <li>• Waiting periods (1-4 years) sliding based on income</li> <li>• Phase 2 expected late 2023</li> <li>• Could lead to LTC legislation introduced in 2024</li> </ul> </li> </ul>
<b>Missouri (MO)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Bills related to long-term care rate increase regulation</li> </ul>

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<b>New York (NY)</b>	6/9/2023	<ul style="list-style-type: none"> <li>• State Senate Bill Long Term Care Trust Act S9082 introduced in May 2022</li> <li>• Similar to WA State:               <ul style="list-style-type: none"> <li>• Mandatory employee payroll tax like WA legislation</li> <li>• Will likely NOT give NY residents advance notice to opt-out/buy LTC plans</li> </ul> </li> <li>• Legislative 2022 session ended before bill could be heard or voted upon</li> <li>• Multiple bills in 2023 session (none for a state tax to pay for LTC as seen in 2022)               <ul style="list-style-type: none"> <li>• Several seeking limits and changes to LTC rate increase regulations</li> <li>• Several seeking deductions or credits for the purchase of LTC</li> <li>• One seeking penalty free withdraws from retirement plans to pay for LTC</li> </ul> </li> </ul>
<b>North Dakota (ND)</b>	6/23/2023	<ul style="list-style-type: none"> <li>• Bill proposing changes to regulations around pricing of stand-alone long-term care policies</li> </ul>
<b>Oklahoma (OK)</b>	6/12/2023	<ul style="list-style-type: none"> <li>• House &amp; Senate bills seeking to create caregiver tax credits to support family caregivers</li> </ul>
<b>Pennsylvania (PA)</b>	6/9/2023	<ul style="list-style-type: none"> <li>• State House Bill 884 submitted 4/10/23 currently in committee</li> <li>• Similar to WA State:               <ul style="list-style-type: none"> <li>• Mandatory employee payroll tax 0.58% of earnings</li> <li>• Current proposed effective date 1/1/2024</li> <li>• Exemption for those already owning LTC insurance</li> <li>• No reference to any forward looking opt-out period in current bill</li> </ul> </li> </ul>
<b>South Carolina (SC)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Bill proposing a tax credit for the purchase of LTC insurance</li> </ul>
<b>Texas (TX)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• HB 4110 relates to certain administrative penalties and procedures associated with aging, community-based, and long-term care service providers (e.g., nursing homes, home healthcare providers)</li> </ul>

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<b>Vermont (VT)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• An act relating to the study and design of a long-term care trust fund</li> </ul>
<b>Virginia (VA)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Bills to change regulations around long-term care rate increases</li> </ul>
<b>Washington (WA)</b>	6/12/2023	<ul style="list-style-type: none"> <li>• Washington Cares Act was passed in 2021 <ul style="list-style-type: none"> <li>• First law of its kind</li> </ul> </li> <li>• Instituted a 0.58% tax on all W2 income, including bonus and stock option compensation, with no cap on income</li> <li>• After a vesting period, those that did not opt out could receive a \$36,500 benefit, based on the need for assistance with at least three activities of daily living</li> </ul>
<b>West Virginia (WV)</b>	6/13/2023	<ul style="list-style-type: none"> <li>• Bill proposed providing a tax exemption for income from a qualified retirement plan used to pay for long-term care</li> </ul>

Source: AGIS Network

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[krausefinancial.com](https://krausefinancial.com) | **p.** (866) 605-7437 | **f.** (866) 605-7438 | [info@krausefinancial.com](mailto:info@krausefinancial.com)

1234 Enterprise Drive, De Pere, WI 54115

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