

ISSUE BRIEF

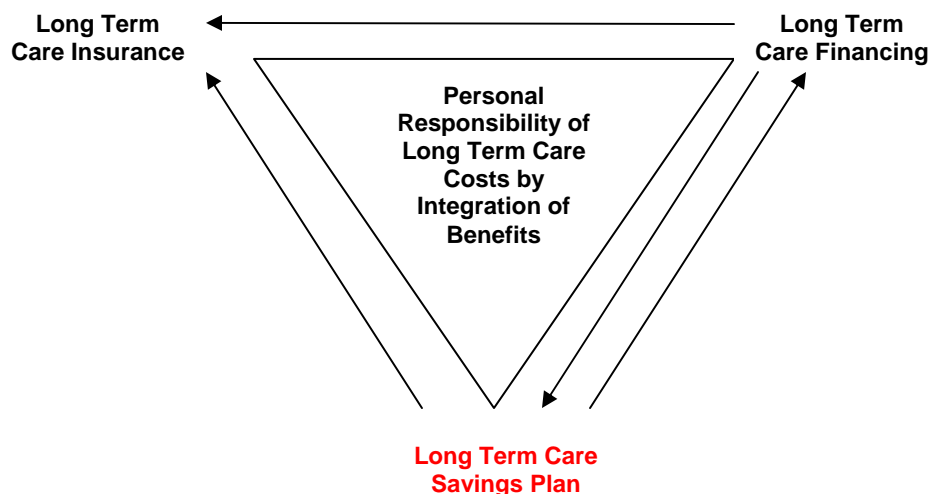
Implement an Integrated Long Term Care Savings Plan

Action for the Indiana General Assembly: Create a state-sponsored Long Term Care Savings Plan (LTCSP) that allows any Hoosier the ability to contribute up to \$1,000 in pre-tax earnings each year. The contributions would be matched by state funds on a sliding- fee scale based on applicant age that would assist older applicants the ability to “catch up”. The plan would accrue cash value and be available for federal Medicaid match at the time of long term care utilization or would be distributed, without conditions, to the heirs of the applicant.

Much like a Health Savings Account, the LTCSP would allow for annual disbursements to cover previously approved expenditures, including Long Term Care Insurance premiums, which would also be tax deductible, providing both pre-tax savings and tax deductibility in one program.

Given that more aging baby boomers are making their own choices about their level of care, *personal responsibility* of future long term care costs is a critical element in the future of any healthcare finance reform. The personal responsibility concept has been used to encompass a broad array of tools, including long term care insurance, long term care financing options and long term care savings plans. What has been lacking in these tools is *integration* between them. For example, many individuals are aware of the benefits of long term care insurance, but don’t feel its costs are justified. Integrating this tool with another – long term care savings plans – may overcome this objection. (See Figure A.)

Figure A.



IHCA feels strongly that integrating the benefits between these tools would create a powerful “jump-start” to getting people on the road to personal responsibility for their potential long term care costs and would create significant reductions in long term care expenditures for the State of Indiana.

The program IHCA is proposing would be centered on an innovative, comprehensive *Long Term Care Savings Plan (LTCSP)*. This plan would function much like a health savings account (HSA), in that it would allow for the use of pre-tax deductions from gross earnings. There would be a \$1,000 limit per individual for the plan, which would then be matched at a 50 percent rate by the State of Indiana. Qualified LTCSPs would aggregate the funds and invest them through the Public Employees Retirement Fund (PERF) investment management organization. This would give Hoosiers confidence that the plans were supported by the full faith and confidence of the State of Indiana. The plan may be established by the potential beneficiary of services or for any qualified family member.

Like HSAs, there may be *qualified disbursements* from the LTCSPs for authorized purposes. One such disbursement would be allocated for the purchase of long term care insurance (LTCI). Another would assist with long term care financing programs, such as reverse mortgages. Others could be utilized for wellness programs, such as health club memberships, smoking cessation programs, etc., that lower the risk of chronic disease states and reduce the need for invasive long term care services. Disbursements could also be used to purchase a life care contract from a Continuing Care Retirement Center (CCRC) that would guarantee care for the balance of the beneficiary's life.

One key element of this program would be the ultimate distribution of funds. If the funds were not used by the beneficiary, the heirs could receive the existing cash value vested in the LTCSP, or could roll it over to cover another qualified beneficiary. Funds used for long term care would be paid directly to the healthcare provider as needed.

Adopting an LTCSP is beneficial to Indiana because it:

- reduces the cost of long term care to the State of Indiana by lowering future Medicaid obligations;
- creates incentives for personal responsibility;
- gives those capable the opportunity to plan for future needs without reliance on state recovery programs;
- promotes wellness and active aging; and
- integrates the various components of personal responsibility by enhancing the value of the sum of the individual tools.