17.0691.02000

FISCAL NOTE

Requested by Legislative Council
02/08/2017

Amendment to: SB 2230

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2230 authorizes a legislative management interim study to examine the feasibility of providing an income tax credit to individuals who purchase a "partnership" long-term care insurance policy.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Other than any potential expenditures associated with the study, there is no fiscal impact to engrossed SB 2230.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 701.328.3402
Date Prepared: 02/09/2017

17.0691.01000

FISCAL NOTE
Requested by Legislative Council
01/16/2017

Bill/Resolution No.: SB 2230

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2230 expands existing law providing for an income tax credit to individuals owning partnership-type long-term care insurance policies.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Current law allows an income tax credit to individuals who purchase a “partnership” long-term care insurance policy. The credit is equal to the premiums paid during the year for insurance that covers the taxpayer or taxpayer’s spouse, or both. The maximum credit allowed in a year for each insured individual is limited to $250. SB 2230 expands the law to allow the credit for premiums paid for long-term care insurance coverage that is part of a “hybrid” long-term care insurance policy. In general, a “hybrid” long-term care insurance policy is one that combines long-term care insurance coverage with a life insurance policy or an annuity.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2230 may reduce state general fund revenues in the 2017-19 biennium. The amount of the reduction, if any, cannot be determined because there are too many unknown variables affecting the potential for the tax credit to be utilized.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 02/02/2017

2017 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2230

2017 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2230
2/6/2017
Job Number 27915

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Eva Liebelt

Explanation or reason for introduction of bill/resolution:

Relating to an income tax credit for hybrid long-term care partnership plan insurance coverage

Minutes:

Attachments 1-2

Chairman Klein: Called the meeting to order.

Senator O. Larsen: Introduced the bill. (:23-4:55)

Senator Burckhard: Asked what the main difference was between the long-term care partnership plan and the hybrid.

Senator O. Larsen: I would refer that to the experts.

Chairman Klein: You haven't worked with the insurance department on this issue yet, this is just in the talking stages?

Senator O. Larsen: That is kind of the way I roll. I get an idea and go with it.

Marissa D. Nehlsen, Financial Advisor with Freedom Financial Group Minot, ND: In support of the bill. She talked about her firm and what they provide to their clients. She also discussed the difference between the long-term policy and the hybrid policy and went through how each works. (6:01-13:15)

Senator Burckhard: What makes it a partnership plan?

Marissa D. Nehlsen; That is on the traditional long-term care plan.

Chairman Klein: What the bill will do is provide an opportunity for a tax credit on a hybrid plan as opposed to what we are currently giving only to a long-term care plan and that is really what we are talking about today. You are trying to make us understand what a hybrid plan is and why it would be a good idea to include that. We are not talking about changing the 250 which we are currently getting but bringing in another plan to provide that incentive to purchase it. Rather than the long-term care plan we would also have the long-term care hybrid plan.

Marissa D. Nehlsen: My understanding is that this is an add on to what you currently have, it is not opposed to and all I am doing is explaining the difference of what you currently have in the traditional long-term care space versus what we could potentially have for the state of North Dakota in the hybrid space as well to encourage people to purchase a product that will ultimately give them a cash flow that can help pay for these long-term care expenses.

Norbert Mayer, North Dakota Association of Insurance and Financial Advisors: In support. Written testimony, see attachment #1. (30:41-36:06)

Chairman Klein: I think it goes both ways with the folks who didn't go to the home and didn't get anything back or the folks that reached a point in their life and said we can't afford this anymore and they dropped it. The fact that we are struggling in the long-term care industry and the insurance industry is struggling at a national level to maintain their ability to stay in business because I believe there are concerns across the country that they may be going broke.

Norbert Mayer: That is correct and that is why those premiums are going up. Insurance companies did not have a very good way to actuarially figure out how much those policies were going to cost.

Chairman Klein: I believe there was a letter handed out from the ACLI, see attachment #2. We will take neutral testimony and ask the insurance department how does it affect what they do and is there any room here to accomplish that?

Chrystal Bartuska, Division Director, North Dakota Department of Insurance: Testimony is neutral. They just have a couple of questions as to some of the logistics that will be coming from these changes. The first thing we want to mention is in the bill, I don't know if this has been brought to your attention but I haven't seen any type of an amendment. I think this is the wrong citation in the bill but I am not 100 % sure. The second piece I want to clarify is the people who testified kept using the term, hybrid long-term care, that is an industry term. There is no definition of what a hybrid long-term care policy is. If this goes forward we would prefer that there be some clarification or definition to elaborate what a hybrid care long-term care could be. She also brought up the need for training for the people who would be selling the hybrid care insurance. (38:08-43:55)

Chairman Klein: We are talking about adding the 250-dollar credit to the hybrid care, is that a concern we would have, that we are providing this 250-dollar credit for someone who is buying this hybrid whose agent wasn't trained, is that what I am hearing. I am trying to keep this as easy as possible and that seems to me, either we give the 250 or we don't give the 250. Why wouldn't we give the 250 after we explain or define what a hybrid plan is because we would have more people who are providing the long-term care benefit. The bottom line is that is what we want to do. There is no fiscal note because we don't have this program yet, it doesn't affect the general fund at this point. You brought some great ideas and concerns but I am wondering how that actually would make us either lean to providing the deduction or not.

Chrystal Bartuska: It would have to defer to the tax department because we don't do the partnership piece. It makes sense that these life and annuities products be options but I think it goes back to the tax department, DHS and the insurance department who haven't had these conversations.

Chairman Klein: You read about it and saw the bill.

Chrystal Bartuska: Pretty much and a concern that came up that I wanted to bring to everyone's attention.

Chairman Klein: Asked Joe Becker to come up. You heard the discussion do you see any issues here that we really need to air out if we move this forward?

Joe Becker, Tax Department: Just some comments on what I heard so far. For the most part I am here to listen and find out what the intent is and what is behind all of this. First of all, the reference in the bill to that particular pension act which they're giving you internal revenue codes site. The only thing I can make sense out of that is they are pointing to some federal legislation that was passed to make sure if an insurance company wanted to pair an annuity contract with a long-term care rider or life insurance product with a long-term care rider that wouldn't somehow interfere with the tax benefits that are allowed to those products. In other words, they would still recognize that there is a separate component that is long-term care. The particular provision that they are siting is a tax for exchange provision. If we look at the history of the act it is just saying you can now exchange long-term care policies for another similar to life insurance policy and not have any tax problems with that. I don't know why that provision is in there at all so I can't speak to that. As far as the logistics we are reading that it is for only the long-term care portion of those particular contracts. Again deferring to industry whether or not that premium is going to be separate, hence the credit is only allowed with respect to that particular part of the premium and not for the rest. That would be for the life insurance or the annuity contract. Third comment, the current state of the credits is to give the credits for a partnership type arrangement. On the hybrid products, one source indicated that pairing one of these long-term riders to a life insurance or an annuity contract that it couldn't be a partnership type plan. Whether that is true or not I don't know but what I am getting at is the current state of the law is geared towards those types of policies. There are other policies out there that are not partnership policies that may have been issued before the partnership came on board and so the credit is now allowed for those types of policies. Depending on what this type of animal is it may or may not be a partnership plan and whether or not you want to allow the credit across the board just for the partnership is a policy call for you. (49:30-53:00)

Chairman Klein: So Joe we have some work to do here, okay.

Senator Burckhard: In your opinion if this legislation is passed does it put an end to the long-term care partnership plan that wasn't a hybrid?

Joe Becker: I don't think that is the case. I think all I was commenting on as a matter of policy do you want to broaden this credit to cover something other than a partnership type arrangement? I don't know if the riders that we are talking about here can be classified as a partnership type and if it isn't then if you were to pass this you are basically broadening it to other types of long-term care policies. It would not destroy the existing partnership plans for those types of products.

Chairman Klein: Asked for Maggie Anderson to come up and to comment on how she sees this playing out and if this is something we should be trying to move forward.

Maggie Anderson, Department of Human Services: I would echo what the insurance commissioner office and the tax commissioner's office has provided. I was here when the partnership piece was put into statute. We then subsequently filed what is called a Medicaid State Plan Amendment then to seek the protection of the assets for individuals when they are applying for coverage indicated that they have an approved partnership plan. We receive that information from the insurance commissioner's office and if it meets those qualities we use that and then when the estate collections are done we are allowed to put aside from estate collections the value of what that partnership plan may of payed out for someone while they were in a nursing facility. So our questions are the same. We have sent this bill to the Medicare and Medicaid services, whether we will hear back from them in terms of whether they would then consider this portion of a hybrid policy to meet the partnership protections, I don't know that. It's the same question you have heard from the other two agencies, does that portion of the plan that is long-term care qualify for those same partnership protections. (55:00-57:44)

Chairman Klein: Closed the hearing.

2017 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2230
2/7/2017
Job Number 27989

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Eva Liebelt

Explanation or reason for introduction of bill/resolution:

Relating to an income tax credit for hybrid long-term partnership plan insurance coverage

Minutes:

Attachment 1

Chairman Klein: Opened the meeting. The bill we heard yesterday, 2230 which would have provided an additional tax credit on a long-term hybrid policy similar to what we are currently doing in the current partnership plan.

Senator Burckhard: I think you all have the proposed amendment. Basically if you would look at the bill this would replace the remainder of the bill with, "for an Act to provide for a legislative management study of providing an income tax credit for premiums for hybrid long-term care partnership plan insurance coverage." We would hope the legislative management would consider having this concept studied. Amendment, see attachment #1.

Chairman Klein: I know listening to the comments yesterday I can see where we can't just jump into this thing because we would have concerns with Medicaid and the insurance department and tax folks had some questions. It seems that if we are trying to get more folks interested in long-term care providing another opportunity for a small tax credit would be another good idea.

Senator Campbell: I agree with the study. Last night I visited with several of those guys and 50% are selling it to their customers, selling the hybrid. The 250-dollar tax incentive didn't mean much.

Senator Burckhard moved to adopt the amendment, 17.0691.01001.

Senator Casper seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

Senator Burckhard moved a do pass as amended.

Senator Casper seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

Senator Burckhard will carry the bill.

CR
2/7/17

17.0691.01001
Title.02000

Adopted by the Industry, Business and Labor Committee

February 7, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2230

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of providing an income tax credit for premiums for hybrid long-term care partnership plan insurance coverage.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. During the 2017-18 interim, the legislative management shall consider studying the feasibility and desirability of providing an income tax credit to individuals for premiums for hybrid long-term care partnership plan insurance coverage. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

Date: 2/7/17
Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2230

Senate Industry, Business and Labor Committee

☐ Subcommittee

Amendment LC# or Description: 17.0691.01001

Recommendation:
☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Senator Burckhard Seconded By Senator Casper

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Date: 2/7/17
Roll Call Vote #: 2

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2230

Senate Industry, Business and Labor Committee

☐ Subcommittee

Amendment LC# or Description: 17.0691.01001

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ __________

Motion Made By Senator Burckhard Seconded By Senator Casper

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Burckhard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2230: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2230 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of providing an income tax credit for premiums for hybrid long-term care partnership plan insurance coverage.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY. During the 2017-18 interim, the legislative management shall consider studying the feasibility and desirability of providing an income tax credit to individuals for premiums for hybrid long-term care partnership plan insurance coverage. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

2017 HOUSE FINANCE AND TAXATION

SB 2230

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2230
3/7/2017
28777

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill to provide for a legislative management study of providing an income tax credit for premiums for hybrid long term care partnership plan insurance coverage.

Minutes:

Attachment #1-2

Chairman Headland: Opened hearing on SB 2230. Since Senator Larsen isn't here right now, is there anyone who would like to testify in support?

Norbert Mayer, North Dakota Association of Insurance and Financial Advisors: Distributed written testimony in support. See attachment #1. A hybrid long term care plan is either a life insurance contract or in lieu of contract. It has a rider attached to it so those benefits could be used for long term care in lieu of life insurance or annuity. I checked with one of our agents to find out what the premium would be on a $500,000 life insurance policy with the long term care rider and he said it would be about $266,000. People purchase those. That plan to include the long term care rider costs about $14,000 so you can see why people are willing to put out that extra premium so that no matter what they are going to get a benefit from that particular plan. That is the popular trend today to purchase hybrid long term care policies. Now asset protection is equally important because some of those are purchased with a single premium so a $250 tax credit is not as significant. Where the $250 tax credit is significant is for encouraging young people to purchase long term care insurance. If they purchase when they are in their 40s or 50s that $250 credit can make a difference in their premium. If you purchase it as a 60-year-old that premium is going to be much higher and consequently it is not of as big a consequence. In addition to studying the feasibility of a tax credit, it would be desirable to also include the additional incentive of asset protection. An amendment may be needed to accomplish that. I have seen this from both sides; I used to sell long term care insurance and I served on a long term care facility board of directors. We would be faced with those situations where the children would often make changes if mom or dad passed away and then pretty soon there wouldn't be any assets left to protect the other spouse. The elder law attorneys would say the nursing home could come back and sue your children but that rarely happens. The outstanding bill might be $40,000 but when you consider a small nursing home community it is a portion of their budget which they can't afford to give up. To collect the $40,000 is hardly worth the hassle. People are encouraged to protect their assets by giving them away so as soon as they go to a nursing home they are basically on Medicaid.

Representative Trottier: Does North Dakota allow a return of premium policy in long term care? What is a return premium policy?

Norbert Mayer: A return of care premium plan is that after a period of time if you haven't used the plan of insurance you get that premium back. I never sold a long term care plan like that but I know we had it on disability insurance plans. For that return of premium you pay an extra premium. Yes, they are still being sold and they are still available.

Chairman Headland: The bill sponsor is here now so we will let him speak.

Senator Larsen: I work in the insurance industry. It seems like the long term care policies are not as popular as the hybrid plans that are coming into the future. We want to iron out and make a good piece to bring back next session. The long term care policies are expensive and it takes effort to apply. The state gives that $250 credit. There is a large amount of people that are not purchasing the long term care policy. The way this industry is going is to buy this health insurance and if you need to use that health insurance for the long term care facilities it's there and available for you. It's more attractive for people because it's more universal, they can get more out of it. The bottom line that I want to try and do is that people who go into long term care need that protection and people aren't getting that protection now. When they get to be in their 50s and 60s and start thinking about that the premium costs are high that they don't want to make that commitment. If we can get that $250 credit for these programs and look at some annuity building things, that's the goal. We need to get people to utilize those policies and that will take some of the strain off our long term care facilities and being able to fund those.

Representative Ertelt: We just received testimony stating in 2015 there were $485,000 in credits for the traditional long term care insurance. Do you anticipate there will be an additional tax credit claimed for hybrid if we implement that type of credit or is there an opportunity for these insured to transfer their policies?

Senator Larsen: I don't think that's the case. I hope the case would be that people would start to take on more of the hybrid system. The big picture when you pay your yearly premium the $250 really isn't much but it makes a person feel like it is a little credit and gives you another idea to go forward with that. The premiums would be very affordable if we thought of doing that in our 30s and 40s.

Chairman Headland: Were there any further questions for Mr. Mayer? We'll take more testimony in support of SB 2230. Is there any opposition? Closed the hearing.

Additional testimony was submitted by Bruce Ferguson, American Council of Life Insurers. See attachment #2.

2017 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2230
3/7/2017
28822

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill to provide for a legislative management study of providing an income tax credit for premiums for hybrid long-term care partnership plan insurance coverage.

Minutes: No attachments

Chairman Headland: What are your wishes?

Vice Chairman Dockter: I think this would be a good topic to study. We want to encourage people to purchase long-term care insurance because it removes a little of the pressure off of the state when people have to go on Medicaid that are in long term care facilities. **MADE A MOTION FOR A DO PASS**

Representative Hogan: SECONDED

Chairman Headland: Is there any discussion?

Representative Hogan: This morning the term asset protections made me nervous. Historically, in Medicaid a whole group of lawyers and tax people teach people how to shelter their assets so if they go into the nursing home Medicaid doesn't have to pay and it becomes a burden. If this study is chosen, we have to be very conscious of what asset protection means. It means the people protect their personal assets and the state pays more frequently. It's a big legal industry in the east and west coast. I think it's important for the committee to know of asset protection which is protecting the assets for the family. This study may have some merit.

Vice Chairman Dockter: In the hybrid plan the family gets to protect their money versus the requirements that are currently for Medicaid. When someone has a long term care policy and pays for the premiums the benefit is $250,000 so that amount is protected above and beyond what Medicaid allows you to keep.

Representative B. Koppelman: It would certainly be in the committee's interest in the study to include asset protection. The testimony was suggesting that they wanted that amended to the bill but we didn't amend the bill. I don't think the bill actually says asset protection.

Vice Chairman Dockter: Once you get into the study anyone in the interim committee can make a request to study additional information. That has to be approved by the chairman of the Legislative Management. I don't know if we want to put that in or not. Dee, if we pass this will that include the asset protection so we wouldn't need to do an amendment?

Dee Wald, General Counsel for the Office of State Tax Commissioner: I believe that ... (inaudible because she wasn't at the podium).

Representative Ertelt: The bill sponsor spoke of the trend in the insurance industry saying this is the direction it's going and people are moving toward the hybrid. I don't see a need to incentivize it.

Representative B. Koppelman: The bill sponsor was talking about the hybrid being an annuity or a life insurance plan at which point they put a rider on. The purpose for the rider is the family could get a refund of the premiums if it's not used. That's what makes it a hybrid program; it's an add on to something else. The premiums are funding a whole life insurance policy or something like that if you don't use it.

Chairman Headland: I think it would be better if we add the language.

Vice Chairman Dockter: WITHDREW MOTION FOR A DO PASS

Representative Hogan: WITHDREW THE SECOND

Chairman Headland: The do pass is withdrawn. Is this an amendment we can add with you, Terry, or do we need to go to council?

Terry, legal intern: I can do it.

Chairman Headland: We have a proposed amendment.

Vice Chairman Dockter: We are just adding on the asset portion they requested in their testimony. **MADE A MOTION TO ADOPT THE AMENDMENT OF ADDING ASSET PROTECTION AS PART OF THE STUDY.**

Representative Hogan: SECONDED

Chairman Headland: Any discussion?

ROLL CALL VOTE: 13 YES 0 NO 1 ABSENT

Motion carried

Representative Hogan: MADE A MOTION FOR A DO PASS AS AMENDED

Vice Chairman Dockter: SECONDED

Chairman Headland: Is there any discussion?

ROLL CALL VOTE: 12 YES 1 NO 1 ABSENT

MOTION CARRIED

Representative Hogan will carry this bill.

3/7/17 DP

17.0691.02001
Title.03000

Adopted by the Finance and Taxation Committee

March 7, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2230

Page 1, line 1, remove "providing an income tax"

Page 1, line 2, remove "credit for premiums for"

Page 1, line 4, after "**STUDY**" insert "**- HYBRID LONG-TERM CARE PARTNERSHIP PLAN INSURANCE COVERAGE**"

Page 1, line 7, after "coverage" insert "and the feasibility and desirability of incentivizing asset protection that may be equal to the amount paid out by the hybrid long-term care partnership plan"

Renumber accordingly

Date: 3-7-17
Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2230

House Finance and Taxation Committee

☐ Subcommittee (17.0691.02001)

Amendment LC# or Description: adding in asset portion they requested during testimony.

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ______

Motion Made By Rep. Dockter Seconded By Rep. Hogan

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt	✓				
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	AB				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment ______

If the vote is on an amendment, briefly indicate intent:

Motion carries

Date: 3-7-17
Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2230

House Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description:

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐

Motion Made By Rep. Hogan Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Headland	✓		Representative Hogan	✓	
Vice Chairman Dockter	✓		Representative Mitskog	✓	
Representative Ertelt		✓			
Representative Grueneich	✓				
Representative Hatlestad	✓				
Representative Howe	✓				
Representative Koppelman	✓				
Representative Olson	✓				
Representative Schobinger	✓				
Representative Steiner	AB				
Representative Toman	✓				
Representative Trottier	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Hogan

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2230, as engrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2230 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "providing an income tax"

Page 1, line 2, remove "credit for premiums for"

Page 1, line 4, after "**STUDY**" insert "**- HYBRID LONG-TERM CARE PARTNERSHIP PLAN INSURANCE COVERAGE**"

Page 1, line 7, after "coverage" insert "and the feasibility and desirability of incentivizing asset protection that may be equal to the amount paid out by the hybrid long-term care partnership plan"

Renumber accordingly

2017 TESTIMONY

SB 2230

2/6/17 SB 2230 #1

Senator Klein and members of the Senate Industry, Business and Labor Committee.

My name is Norbert Mayer and I represent the ND Association of Insurance and Financial Advisors.

We support what **Senate Bill 2230** intends to do. That is to provide tax incentives for more people to purchase long term care insurance coverage to help pay their own long term care costs as opposed to qualifying for Medicaid coverage.

Let me review what we currently have for tax incentives to purchase long term care insurance.

During the 2007 Session a bill was passed providing up to $250.00 in tax credits for individuals purchasing a Federally Qualified Long Term Care Partnership Plan. The plan had to be purchased after January 1, 2007 and required that it include inflation protection. If the purchaser was under the age of 61 at time of purchase it had to have compound annual inflation protection, if age 61 to 75 it simple had to have some form of inflation protecton and those over 75 did not need to purchase with inflation protection. The usual compounding percentage was 3 or 5%. This was intended to keep pace with the inflation of long term care costs. In addition to providing coverage for long term care expenses, it also provided for additional asset protection, equal to the amount paid out from the long term care policy, in the event the insured still ran out of assets and had to apply for Medicaid help.

I checked with Joe Becker from the ND Tax Department and found that the first credits were filed for in 2009, when 451 tax filers, covering approximately 760 individuals were claimed for a total credit of $190,571. Those totals continued to grow and in 2015 there were credits on 1,178 tax returns covering approximately 1940 individuals totaling $485,213 in credits.

We feel the incentive is working to encourage more people to purchase long term care insurance. The numbers continue to grow.

Now I am told that those who purchased insurance and never used it are unhappy because they felt they paid premiums and got nothing out of it. If they complain to me about it I suggest that we go to a nursing home so they can meet someone who has gotten their money's worth and would gladly have received nothing out of their plan if they could have stayed out of the nursing home. That is the reason why this type of a request is now made.

So today ND citizens are more apt to purchase a hybrid long term care policy so that in the event they don't use it for long term care, they get an annuity or life insurance benefit.

A lot more detail and a fiscal note needs to be made available for this bill and time will not be available to provide all of that detail. I do hope that you can see the problem we face and if there is a desire to move ahead, it can be studied and detailed for the 2019 Session.

SB 2230 2/6/17 #2

ACLI
Financial Security...for Life.

J. Bruce Ferguson
Senior Vice President, State Relations

February 6, 2017

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
BEFORE THE SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
IN SUPPORT OF SB 2230

Good morning, Chairman Klein and members of the Senate Industry, Business and Labor Committee. My name is Bruce Ferguson and I am the Senior Vice President of State Relations for the American Council of Life Insurers. ACLI is a national trade association representing the life insurance industry that has approximately 290 member companies representing 94 percent of industry assets in America today accounting for 85 percent of the total life insurance coverage on North Dakota residents and 97 percent of annuity considerations in the state.

ACLI supports Senate Bill 2230, as it would provide North Dakota residents a financial incentive to purchase private long-term care insurance.

Private long-term care insurance plays an important role in protecting individuals from the high cost of long-term care services. It pays in the event of a loss of basic activities of daily living or in the event of cognitive impairment such as dementia or Alzheimer's disease. In 2015, life insurers had $8.9 billion in premiums in force on 3.8 million long-term care insurance policies covering 4.4 million individuals.

Per the Department of Health and Human Services, an individual turning age 65 has almost a 70% chance of needing long-term care at some point in their remaining years. Long-term care insurance protects against the financial risk from significant long-term care expenses. In addition to financial protection, these products also provide policyholders with greater choice regarding how and where they can receive long-term care. In 2016, costs for assisted living care averaged $3,628 per month, where the costs for a private room in a nursing home averaged $7,698 per month, and the average cost from a home health aide was $3,861 per month. However, most Americans have not saved enough to cover these costs.

Due to most Americans unable to cover long-term care costs, when it's needed, Medicaid has become the largest payor of long-term care services. According to the National Association of State Medicaid Directors, Medicaid pays over 40% of the nation's long-term care costs. With a robust private long-term care insurance market the insurance industry can help ease the burden on state Medicaid systems. A long-term care insurance policyholder would generally use their insurance coverage, before exhausting their assets and turning to Medicaid to fund their long-term care.

Furthermore, as you are probably aware, the baby boomer generation represents a disproportionately large segment of the population (roughly 28 percent) and have started swelling the ranks of the elderly.

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By the year 2030, when the youngest baby boomers will have reached retirement age, the elderly population will be nearly double what it is today. By 2050, when the youngest surviving boomers will be 85, the "85 and over" population will have tripled. Currently, about 37 percent of those 85 and older use paid long-term care, and as the elderly population grows, demand for long-term care will increase. By 2050, nearly 15 million seniors will require some form of long-term care.

The possibility of a baby boomer needing long-term care during his or her elderly years is very real and much more likely than most people realize. Many seniors may never need formal long-term care, but 70 percent of those who are currently 65 will. A sizable percentage will require long-term care services for an extended period of time, with women being more at risk than men. On average, elderly individuals will use long-term care for 3 years, and one in five for more than 5 years. Among those who enter a nursing home, the most costly and intensive form of care, 12 percent of men and 22 percent of women will be residents for over 3 years, while one in eight elderly women can expect to live in a nursing home for over 5 years.

With an increasing percentage of the population needing long-term care insurance and an expected increased burden on the state's Medicaid system, ACLI would appreciate the committee's favorable consideration of Senate Bill 2230.

Passage of Senate Bill 2230 will increase awareness about long-term care insurance and send a message from the state that it is important for individuals to prepare and plan for their long-term care needs.

SB 2230 2/7/17 #1

February 7, 2017

PROPOSED AMENDMENT TO SENATE BILL NO. 2230

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of providing an income tax credit for premiums for hybrid long-term care partnership plan insurance coverage.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY – INCOME TAX CREDIT FOR PREMIUMS FOR HYBRID LONG-TERM CARE PARTNERSHIP PLAN INSURANCE COVERAGE.
During the 2017-18 interim, the legislative management shall consider studying the feasibility and desirability of providing an income tax credit to individuals for premiums of hybrid long-term care partnership plan insurance coverage. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-sixth legislative assembly."

Renumber accordingly

#1 p. 1
SB 2230
3-7-17

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TESTIMONY SUPPORTING SB 2230
March 7, 2017
9:30 am

HOUSE FINANCE & TAXATION COMMITTEE
REPRESENTATIVE CRAIG HEADLAND, CHAIR

Representative Headland and members of the House Finance & Taxation Committee:

My name is Norbert Mayer and I represent the North Dakota Association of Insurance and Financial Advisors.

We support the Study Resolution of **Senate Bill 2230**. It is to study the feasibility of providing tax incentives to encourage more people to purchase long term care insurance coverage to help pay their own long term care costs as opposed to qualifying for Medicaid coverage.

Let me review what we currently have for tax incentives to purchase long term care insurance.

During the 2007 Legislative Session, a bill was passed providing up to $250.00 in <u>tax credits</u> for individuals purchasing a Federally Qualified Long Term Care Partnership Plan. The plan had to be purchased after January 1, 2007 and required that it include inflation protection. If the purchaser was under the age of 61 at time of purchase it had to have compound annual inflation protection, if age 61 to 75 it simply had to have some form of inflation protection and those over 75 did not need to purchase inflation protection. The usual compounding percentage was 3 or 5%. This was intended to keep pace with the inflation of long term care costs. In addition to providing coverage for long term care expenses, it also provided <u>asset protection</u> equal to the amount paid out from the long-term care policy, in the event the insured had to apply for Medicaid help.

I checked with Joe Becker from the ND Tax Department and found that the first credits were filed for in 2009, when 451 tax filers, covering approximately 760 individuals were claimed for a total credit of $190,571. Those totals continued to grow and in 2015 there were credits on 1,178 tax returns covering approximately 1940 individuals totaling $485,213 in credits.

We feel the incentive is working to encourage more people to purchase long term care insurance. The numbers continue to grow.

Now I am told that the families of those who had purchased insurance and never used it are unhappy because they feel premiums were paid for no benefits. As a consequence, fewer people now purchase the traditional long term care insurance but are more apt to purchase a hybrid long term care policy so that in the event they don't use it for long term care, they get an annuity or life insurance benefit.

In addition to studying the feasibility of a tax credit, it would be desirable to also include the additional incentive of asset protection. If an amendment is needed to accomplish that also I would ask that this bill be amended to include asset protection.

For these reasons, we support SB 2230 and urge a do pass recommendation.

#2
SB 2230
3-7-17

ACLI
Financial Security...for Life.

J. Bruce Ferguson
Senior Vice President, State Relations

March 7, 2017

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
BEFORE THE HOUSE FINANCE AND TAXATION COMMITTEE
IN SUPPORT OF SB 2230

Good morning, Chairman Headland and members of the House Finance and Taxation Committee. My name is Bruce Ferguson and I am the Senior Vice President of State Relations for the American Council of Life Insurers. ACLI is a national trade association representing the life insurance industry that has approximately 290 member companies representing 94 percent of industry assets in America today accounting for 85 percent of the total life insurance coverage on North Dakota residents and 97 percent of annuity considerations in the state.

ACLI supports Senate Bill 2230, as it would provide for a legislative study on the feasibility and desirability of providing an income tax credit to North Dakota individuals who pay premiums for hybrid long-term care partnership plan insurance coverage.

Private long-term care insurance plays an important role in protecting individuals from the high cost of long-term care services. It pays in the event of a loss of basic activities of daily living or in the event of cognitive impairment such as dementia or Alzheimer's disease. In 2015, life insurers had $8.9 billion in premiums in force on 3.8 million long-term care insurance policies covering 4.4 million individuals.

Due to most Americans unable to cover long-term care costs, when it's needed, Medicaid has become the largest payor of long-term care services. According to the National Association of State Medicaid Directors, Medicaid pays over 40% of the nation's long-term care costs. With a robust private long-term care insurance market the insurance industry can help ease the burden on state Medicaid systems. A long-term care insurance policyholder would generally use their insurance coverage, before exhausting their assets and turning to Medicaid to fund their long-term care.

Furthermore, the baby boomer generation represents a disproportionately large segment of the population (roughly 28 percent) and have started swelling the ranks of the elderly. By the year 2030, when the youngest baby boomers will have reached retirement age, the elderly population will be nearly double what it is today. By 2050, when the youngest surviving boomers will be 85, the "85 and over" population will have tripled. Currently, about 37 percent of those 85 and older use paid long-term care, and as the elderly population grows, demand for long-term care will increase. By 2050, nearly 15 million seniors will require some form of long-term care.

With an increasing percentage of the population needing long-term care insurance and an expected increased burden on the state's Medicaid system, ACLI would appreciate the committee's favorable consideration of Senate Bill 2230.

Passage of Senate Bill 2230 will allow North Dakota legislative management to study state resident's long-term care needs and the potential impact a financial incentive to purchase private long-term care insurance would have on the state and its residents.

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