

2009 HOUSE FINANCE AND TAXATION

HB 1209

## 2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1209

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 14, 2009

Recorder Job Number: 6983 and 7006

Committee Clerk Signature

*Jan Prindea*

Minutes:

**Chairman Belter:** I will open the hearing on HB1209.

**Representative Jasper Schneider:** I just want to briefly voice my support for HB 1209, which provides a \$250 tax credit for purchase of long-term care insurance. One thing that became obvious to me is the need to purchase long-term care insurance especially in the State of North Dakota, where we have an aging population. I guess I view this legislation as a win-win situation. The consumer has the victory in that they receive a \$250 tax credit, the agents across the state win because they have an incentive tool to market their product, and the big winner is the State of ND from an investment standpoint. We know that we have an extremely large human services budget. We also know that the more people who purchase long-term care insurance will save the state dollars down the road. If you take a look at the fiscal note, it is very manageable. If you look at this from an investment standpoint, this is money that will pay for itself and then some down the road. I urge a "do pass" and will answer any questions.

**Chairman Belter:** Further testimony in support of HB 1209?

**Norbert Mayer, ND Assoc. of Insurance and Financial Advisors: (Testimony 1).**

**Representative Headland:** Can you tell us what the cost of the insurance plan premiums are on an annual basis?

**Norbert Mayer:** I ran a couple of plans for a couple aged 50. For this couple the plan that would create a \$202,000 pot of money for three years of coverage, the premium would run from \$1500-\$2000 per year per individual. If you wait till age 65, that same plan's premiums would run from \$2700-3500. There are a lot of different options available on these plans and that is what causes the variation.

**Representative Headland:** How about at age 25?

**Norbert Mayer:** I did not run that, but it would certainly be considerable cheaper than at age 50. If that is of interest, I can certainly provide that information to you. That is why we encourage younger people to participate because the premium is less and they are going to be insurable. Most of these plans provide preferred rates if you are in good health.

**Representative Froelich:** The price they quoted us went on forever. I heard you say three years. It was a fixed priced from then to?

**Norbert Mayer:** Yes, what I was quoting there was the plan that has a benefit for three years, but the premium itself goes on and on. Unless that company needs to increase premiums, that premium would remain the same.

**Representative Froelich:** The premium was \$5,000 individually but \$8,000 together. The way it was explained to me was that that premium was never going to change, but it had a 5% increase in it. If I went into the hospital and had to go to the nursing home, the premium would stop and my wife wouldn't have to pay any more premiums. Is that correct?

**Norbert Mayer:** When you leave the hospital and you go into a nursing facility, you have a benefit that would pay for your care in that facility for three years and the premium waiver on the plan you were quoted, as soon as either you or your wife went on claim, those premiums would stop because of a premium waiver rider. Those are some of the things that cause changes or increases in premiums because some of the plans will waive your premiums if you

go to the nursing home. Others will waive it for both of you. Some will waive premiums if one of you passes away without using the insurance plans so there are a lot of options.

**Representative Froseth:** Will you clarify the tax deductions? Is the \$250 for each person for each year that you have paid a premium on that policy? No limit on the tax exemption?

**Norbert Mayer:** Yes. It would be a credit of \$250 for each individual that pays that premium.

**Representative Winrich:** This premium would create a pot of money for three years coverage. Does the insurance policy provide three years of coverage in a nursing home or does it provide a fixed amount of money which might be used up 2 ½ years?

**Norbert Mayer:** The three years would be there regardless of how it is used. Let's say that you use it for assisted living and you would not use all of the daily benefit. You would be covered and getting benefits until that pot of money was used up so if you are using less than full nursing home care, it would go on for longer.

**Representative Pinkerton:** How would this kind of tax relief affect a single payment policy?

**Norbert Mayer:** My understanding would be that in the year that premium is paid that they would receive a tax credit, but there would not be an ongoing tax credit. In addition to a single pay, some are a 10 year pay or paid up at age 65, but naturally the premium is going to be considerably higher.

**Representative Pinkerton:** This would discriminate against single payers or fixed term?

**Norbert Mayer:** You would be correct, but it is the individual's choice. If it makes sense to them to pay it in one year, but they would be forfeiting this particular benefit.

**Chairman Belter:** We will recess until one half hour after session adjourns.

**Hearing resumed:**

**Representative Todd Porter, District 34**, spoke in favor of the bill. The bill in front of you is an incentive bill to get individuals to take out a qualified long-term care policy. The reason we are focusing on the qualified plan because those are the ones with the escalation clause that will save the taxpayers of the state of ND the money. Senator Fisher told me that one-fourth of our human services budget goes to long-term care facilities. Out of that, it's 60/40 federal/general fund match. It's a significant amount of money that goes for payment of long-term care residents. This bill puts a tax credit on those qualified plans. The qualified plans are defined by federal law so they meet those requirements that will save the taxpayers of ND in the future. This is the fourth time I have introduced this legislation in various forms. This is the first time that the fiscal note is where these plans are new. It's time to get them sold so that the tax payers of ND can see the net effect in the future. The other point that I have made in the past, not everybody has the ability to write off the expense of the premium. There are people who do. If a farmer has an LLC, they can write off that premium as an expense. If a small business has a funded buy/sell agreement they can write the cost of these plans off. The only person who gets hurt out of this is the person who is a big owner, who isn't a farmer in an existing LLC or LLP. It's the individual that that isn't able to write the plan off as an expense—that's the individual that's addressed in this bill.

**Vice Chairman Drovdal:** I assume in the bill is a provision that if a person can write the plan off on their taxes, they can't double dip and get this credit?

**Representative Porter:** It is my understanding that you can do either, but not both.

**Vice Chairman Drovdal:** When you talk about rules about qualifying plans, is it your feeling that none of the plans that have taken off in the past will meet the criteria of the qualifying plan? Is it a mix?

**Representative Porter:** I would say that there are no plans written in the past that would qualify. A lot of companies are allowing people to convert so if they want to move up to this level of plan they can. With the escalation clause, it is my understanding that none of the old plans will qualify.

**Shelly Peterson, president of the ND Long Term Association** testified in support of the bill.  
**(Attachment 2 & D)**

**Chairman Drovdal:** Looking at your chart on percentages of pay. Thirteen percent is long-term insurance. How much has that gone up in the last couple of years? Do foresee that rising significantly under current statute? What is your goal under this bill?

**Peterson:** Our term is to have long-care insurance be the major source for long-term care. If we don't, we as citizens are going to pay a lot taxes. We did strategic planning session 18 months ago and that point when we looked at what long-term insurance and what it was paying in the nursing facility it was 8%. We are now at 13% on that October date so we have a great increase unless we just happen to survey on the right day. It was goal to that we need to encourage that long-term care insurance be the major source of payment. In basic care/assisted living it was 16% and it remains that today. Hopefully, we will trade places with Medicaid where insurance would be 50% or more.

**Representative Weiler:** Can you touch briefly on the future of long-term care in ND. I've been troubled that in the future because of migration of the small towns to the larger areas that there may not be enough help to have nursing homes. So if a person were to purchase one of these plans, what kind of guarantee that somewhere near their area there is going to be a nursing home 20 or 30 years in the future?

**Peterson:** There are not any guarantees. The one issue in ND is we don't have sufficient staff to deliver care today. In 2008 we had one facility close and another will be closing next

month. The primary reason is that they do not have sufficient staff to care for residents. Our average age of staff is very, very old. Our oldest employee is 90 years old. We have many in our 80s. When we look at the tidal wave of people working in long-term care and the number of people that are going to retire in the next three years, it is alarming. Fifteen to seventeen percent are over the age of 60. We don't know what we are going to do. We are in crisis. I would encourage you to purchase a policy that puts the money in your pocket so you can spend the money the way you and then you can hire someone to care for you. You can hire family members.

**Representative Kelsh:** Maybe you can tell me what the difference is between long-term between men and women. Given what you said, is there a difference in the rate they pay?

**Peterson:** Women use more long-term care than men because we live longer and generally we live alone. Men are more likely to remarry and so you have someone in your home that will care for you. In facilities right now about 2/3 of the residents are women. If you are a couple you can get a discount if both of you take out the policy.

**Curtis Volesky, director of Medicaid Eligibility for the Department of Human Services** provided information on HB 1209. **(Attachment 3)**

**Chairman Belter:** This partnership policy seems to be for "qualified" policies. Holders of existing policies won't apply? Who determines if they are the correct policy?

**Volesky:** They would qualify if they were purchased after January 1, 2007 and if they are certified to be a partnership policy. The insurance company would make that determination.

**Michael Fix, director of the Life and Health Division and Actuary, ND Insurance Department** provided information in favor HB 1209. **(Attachments 4 and 4a)**

**Chairman Belter:** What are the criteria for a partnership policy?

**Fix:** The criteria for a partnership policy includes that it is tax qualified, it is issued after the effective date of the Medicaid plan amendment: Jan 1, 07, has inflation protection, varies by age when the policy is issued. If the policy is issued prior to age 61, the policy must include compound inflation protection. If it is issued between 61 and 76, it must provide either compound or simple inflation protection. If issued at age 76 and later than you don't have to have inflation protection. Another requirement is that you have to be a resident of the state that has a partnership program.

**Chairman Belter:** If we were to pass this why wouldn't companies and customers cancel their existing policies and switch them over to one that qualifies?

**Fix:** The person would pay more premiums and may have to provide evidence of insurability in order to get the new policy. It wouldn't be a guaranteed issue. If you cancel your old policy the new policy would be certified. As a group, the people who are less healthy will keep the old policies. The healthier people can provide evidence of insurability.

**Representative Froseth:** There are 18 companies here that have met the requirements of the new partnership plan. If more companies come in they are going to have to add benefits to their policies. How is the buyer supposed to know if the policy meets these requirements and gets any advantage.

**Fix:** Companies can have some policies that do qualify and some don't. The consumer has a choice.

**Representative Froseth:** Can you say it is going to be worth buying the partnership plan to get the \$250 credit. It seems they are going to charge more than the \$250.

**Fix:** The price doesn't go up because of the partnership. The inflation proofing would cause more. One of the caveats of the program is that you shouldn't buy the product for the tax



benefit; you should buy it because you need long-term care. Just to get a partnership policy, it may not be suitable.

**Representative Drovdal:** We offer a long-term policy to state employees through the PERS program. Do those plans qualify for the partnership program?

**Fix:** If they are not on the list I distributed then "No."

**Chairman Belter:** If a person has a policy and it was bought before this date, but it has all the features that qualify for the program, are there rules and regulations to prevent the company from switching over to this policy so the individual could take advantage of this credit?

**Fix:** It says to qualify; a policy must be issued after the effective date of the Medicaid plan which for ND is January 1, 2007. If the company is willing to take an existing policy and reissue it, then it could qualify if it met the other requirements.

**Jonathan Spilde, marketing director for SIA Marketing, Inc.,** testified in favor of the bill. (Attachment 5).

**Bruce Murray, a lawyer with the Protection and Advocacy Project,** testified in favor of the bill. (Attachment 6)

**There being no further testimony, Chairman Belter closed the hearing of 1209.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1209

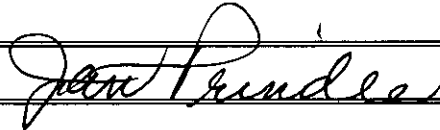
House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: **January 19, 2009**

Recorder Job Number: 7242

Committee Clerk Signature



Minutes:

There were several minutes of unstructured discussion of HB 1209.

**Chairman Belter:** I will entertain a motion on this bill.

**Representative Froeth:** I move Do Not Pass.

**Representative Weiler:** I Second.

**A roll call vote was taken: Yes: 6, No: 5, Absent: 2 (Froelich and Winrich) The Do Not Pass motion carried.**

**Representative Froeth will carry the bill.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/09/2009

Bill/Resolution No.: HB 1209

**1A. 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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,500,000)			
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1209 creates an individual income tax credit for premiums paid for long-term care partnership plan insurance coverage.

**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.*

Section 1 of the bill creates a tax credit of \$250 per year for the taxpayer and spouse for qualifying insurance premiums. Section 2 allows the credit on the state's primary income tax return, Form ND-1. (Note: the policies that are covered under HB 1209 are specifically defined and are not as broad as those currently allowed a tax credit on Form ND-2. The ND-2 tax credit is not affected by this bill.)

Information from the Insurance Department indicates there are currently approx. 1100 qualifying policies, an amount that is anticipated to grow. Using the information from the Insurance Department, we estimate that, if enacted, HB 1209 will reduce state general fund revenues by an estimated \$1.5 million in the 2009-2011 biennium.

**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 is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/13/2009

Date: January 19

Roll Call Vote #: 1

**2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 1209**

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Froseth Seconded By Weiler

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	/		Representative Froelich		
Vice Chairman David Drovdal	/		Representative Kelsh		/
Representative Brandenburg	/		Representative Pinkerton		/
Representative Froseth	/		Representative Schmidt		/
Representative Grande	/		Representative Winrich		
Representative Headland		/			
Representative Weiler	/				
Representative Wrangham		/			

Total (Yes) 6 No 5

Absent 2 (Froelich + Winrich)

Floor Assignment Froseth

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

**REPORT OF STANDING COMMITTEE (410)**  
January 19, 2009 3:51 p.m.

**Module No: HR-10-0522**  
**Carrier: Froseth**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1209: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (6 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). HB 1209 was placed on the Eleventh order on the calendar.**

2009 SENATE FINANCE AND TAXATION

HB 1209

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1209

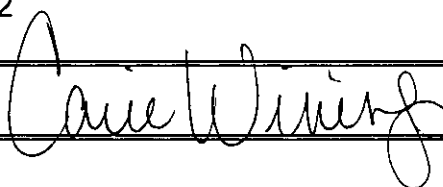
Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 02/25/2009

Recorder Job Number: 9682

Committee Clerk Signature



Minutes:

**Chairman Cook:** Opened hearing on HB 1209.

**Representative Todd Porter, District 34:** Introduced the bill as sponsor and in support of the bill. Currently an individual can deduct the premium on a Long Term Care policy on North

Dakota-2 form. What this bill does is move it to the North Dakota-1 form. The federal government changed their definition of what a qualified plan or a partnership plan would be four years ago. What that said that if you take out a qualified partnership plan that there are certain provisions inside that plan that the experts will explain to you, but part of that is the inflationary factor so that if you do end up in a long term care facility and you have a qualified plan that it will cover your long term care costs as you are in that facility. After sitting in Human Services I saw the need for this bill. If a family is not prepared, it devastates the family. It will protect their assets and the state of North Dakota. 60% of our Medicaid budget goes to Long Term Care costs. By putting an incentive out there for people to buy a qualified partnership plan will in the future save the state of North Dakota a lot of money. The match for the Medicaid program is general fund dollars. This is one of those bills you will see the results in 10 to 20 years if it works.



3.45 **Norbert Mayer, North Dakota Association of Insurance and Financial Advisors:** See Attachment #1 for testimony in support of the bill.

11.10 **Senator Dotzenrod:** The proposed benefit is a \$250/year credit on income tax – if a person is 40 years old, how much is it going to cost per year to have the insurance?

**Norbert Mayer:** I don't have the numbers for the 40 year old, but I did run for a 50 yr old. The cost is would run around \$1800/ person per year. For a 65 year old that would be around \$2800. By doing this we want to encourage more young people to take the plan.

**Senator Triplett:** You reference the possibility of saving a lot of money in Medicaid in the future; can you quantify that?

**Norbert Mayer:** I cannot, but others may. We are looking a people purchasing the insurance now and the benefit is 15, 20, 25 years in the future.

**Chairman Cook:** Doesn't North Dakota lead the nation in per capita populations that has purchased long term care?

**Norbert Mayer:** Yes, I believe you are correct. We do have a lot of people taking care of those needs, yet overall the survey that Shelly will share with you says that about 13% of long term care costs are paid by long term care insurance. We have lots of room to grow.

13.35 **Bruce Murry, Attorney for North Dakota Protection and Advocacy Project:** See Attachment #2 for testimony in support of the bill.

14.55 **Michael Fix, Director of the Life and Health Division and Actuary North Dakota Insurance Department:** See Attachments #3 and #4 for testimony in support of the bill.

18.17 **Senator Oehlke:** Why would a company not want to participate in a partnership program?

**Michael Fix:** If they do not sell a lot of long term care then they would probably not. One of the things that we have stressed in our agent groups as we go around the state is that people

shouldn't sell long term care insurance just because of the partnership program. They should sell it because someone needs it. You have to be tax qualified in a partnership program, most policies are. You need to have an inflation protection that varies by the age that the policy is taken out; either compound inflation, simple inflation, and there are probably a couple of others. There is also training involved in the partnership program, and that is the responsibility of the company.

**Senator Dotzenrod:** I would like to get some idea of how much of the population needs this kind of insurance, can you give me that?

**Michael Fix:** Over the evolution of Long Term Care the stays have become longer and there is more of the population that can access those long term care benefits.

**Senator Triplett:** You referenced assisted living; do most of these policies cover that?

**Michael Fix:** They can. Any benefit that is paid out of the long term care policy qualifies to go against the asset.

21.45 **Shelly Peterson, President, North Dakota Long Term Care Association:** See Attachment #5 for testimony in support of the bill. Now is the time to encourage this incentive.

33.30 **Chairman Cook:** What are the total Medicaid dollars that North Dakota pays for long term care?

**Shelly Peterson:** It is currently about one quarter of the department's \$2.1 billion dollar budget. We are trying to get that for our budget.

**Chairman Cook:** How many people are on Medicaid?

**Shelly Peterson:** 3800

**Senator Triplett:** Do you think this incentive is large enough to give incentive or make a difference too many people?

**Shelly Peterson:** I am not sure. It is not an awful lot. Maybe not. I think it might trigger the conversation. It might be one more reason to do it.

**Senator Triplett:** Have you done any analysis of what you think the long term savings to the state of North Dakota might be?

**Shelly Peterson:** We have not. We just know that every legislative session when we come in and ask for money, it is at a minimum of 25 million dollar increase to a 50 million dollar increase every biennium. It is on average a growth of 9% increase a biennium, or 5% a year. Our number of people we are serving has actually gone down and we are still spending more.

**36.20 Jonathan Spilde, Marketing Director, Schmidt Insurance/ SIA Marketing:** See Attachment # 6 for testimony in support of the bill.

**40.45 Senator Anderson:** I don't claim to understand this well. In your testimony you mentioned on your first page that everybody wins and your example states that \$500,000 in assets, if that purchaser has a policy for \$500,000 and that is used up and everything is satisfied and that person goes directly to Medicaid, there is nothing on personal assets in that case?

**Jonathan Spilde:** In that example, once that is used up they would go directly to Medicaid.

**Senator Anderson:** So if it were \$600,000 then they would want to buy \$600,000 in coverage?

**Jonathan Spilde:** Yes, or they may think that it might not happen to them so they buy less, it is an individual decision. The example was meant it make it easier to understand. Shared care is an element that is included in a lot of the policies being sold in the state. This does cover on assisted living, these partnership plans are comprehensive. We are talking about home care, we are talking about assisted living, we are talking about nursing home care. Shared care is an element that might further mitigate the example I gave because for example, if partners get

a shared care rider then the partners can share their coverage. It does diminish the others policy but they may never need it.

**Chairman Cook:** To do that do you buy one policy or do you buy two?

**Jonathan Spilde:** You usually buy two policies, even if you are on one application, they will issue separate policies.

**Chairman Cook:** If you buy two policies can you get two credits?

**Jonathan Spilde:** My understanding is yes.

**Chairman Cook:** Any further testimony?

**Jonathan Spilde:** The big reason for this tax credit is so that we can get younger people buying this insurance. It is cheaper, yes they will pay more years, but in the long run it is still cheaper. It is not your check book that gets you a policy; it is your doctor's records. We need younger people because generally they are healthier. It is an underwritten product.

45.50 **Chairman Cook:** Testimony in opposition?

**Chairman Cook:** Neutral Testimony?

46.00 **Curtis Volesky, Director of Medicaid Eligibility, Department of Human Services:**  
See Attachment #7 for neutral testimony on this bill.

48.34 **Senator Hogue:** If I understand how this works, if a person has a net worth of \$600,000 and they buy coverage of \$300,000 policy, then after the \$300,000 runs out they would be able to exempt the first \$300,000 of their assets.

**Curtis Volesky:** That is exactly right. They would be able to shelter that \$300,000.

**Senator Hogue:** How does that work, how are you able to hedge if you have \$600,000 and you buy the insurance for \$300,000 and you exhaust that, it goes to your other \$300,000 in assets that you did not insure against?

**Curtis Volesky:** Basically the partnership allows for asset protection and if you insurance paid out \$300,000 in benefits the Medicaid program will say that you qualify and you will have \$300,000 that they will completely disregard. If you have more than that, then you will still owe the asset and you would have to spend down those excess assets, and once you spend down to the \$300,000 then you would qualify.

**Chairman Cook:** What is an uninsured individual allowed to shelter?

**Curtis Volesky:** \$3000 for individual in Medicaid or \$6000 for a couple.

**Chairman Cook:** That includes the house?

**Curtis Volesky:** The home, as long as it is the home they are living in that is excluded. It would become part of their estate.

**Chairman Cook:** Closed hearing.

**Senator Triplett:** I would like to talk about where did that number come from?

**Chairman Cook:** I think it came from the industry and that it was a good number to start with. I think that we need to leave it here. We might move from a majority to a minority if we change it.

**Senator Oehlke:** I do sell this product, and you don't sell it based on the tax benefit. You sell it because there is a need. It is an additional incentive to help in the decision it is not what will sell the policy.

**Chairman Cook:** Would it sell a partnership policy over a less expensive one?

**Senator Oehlke:** It would encourage more 40 year olds to consider the product. The financial difference is substantial. \$250 dollars a year is much more meaningful amount on a lower premium.

**Senator Triplett:** When did the lifetime benefit stop being available?

**Jonathan Spilde:** Some companies do still have it available but it is hardly used due to the cost, it is beyond affordability. It probably will become nonexistent in the next five years.

**Senator Triplett:** Are you expecting more cutbacks in availability or the costs to go up as more people take advantage of things like assisted living in their lifetime?

**Senator Oehlke:** It is a world of numbers. The more people that buy the insurance that should actually keep the premium from escalating. Assisted living is a better deal for the long term care people; they would rather pay out a smaller amount.

**Chairman Cook:** My guess is that the younger people that have to take care of their parents because they didn't have the insurance can directly relate to why they need to have it.

**Chairman Cook:** Any further discussion? (No)

**Senator Triplett:** Moved a Do Pass and Re-Referred to Appropriations.

**Senator Oehlke:** Seconded.

**A Roll Call vote was taken: Yea 6, Nay 0, Absent 1 (Senator Miller).**

**Senator Oehlke will carry the bill.**



**REPORT OF STANDING COMMITTEE**

**HB 1209: Finance and Taxation Committee (Sen. Cook, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1209 was rereferred to the Appropriations Committee.**



2009 SENATE APPROPRIATIONS

HB 1209

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1209

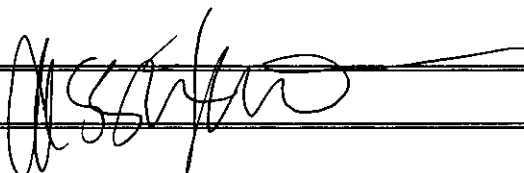
Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-05-09

Recorder Job Number: 10280

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on HB 1209 in regards to create and enact a new section to the NDCC relating to a long-term care partnership plan individual income tax credit; and to provide an effective date.

**Senator Dwight Cook**, District 34, introduced the bill HB 1209.

**Cook-** When I heard this bill in committee there was 3 things that came to mind. The first was the TV advertisement that used to be on regarding automobiles which stated pay me now or pay me later, that certainly entered my mind when I was told in committee that 25% of our entire Human Services budget is spent just on Medicaid payments to cover 3800 people who are in long term care and I am sure there are people in this committee that understand that. The 2<sup>nd</sup> thing that came to mind when I heard this bill in committee is I wish I had bought some of this and maybe I still should real quick. The 3<sup>rd</sup> thing it is a good bill, it deserves to be passed. We are leaving the credit on the ND 2 form the same and we are creating a new one on ND 1 but it is not for all of the long term care that is sold in ND, it is only for qualified long term care partnership plans, the industry will explain that. I question the fiscal note, I would think that you are going to get a new one. This is a good bill and I would ask you to give it your consideration.

**Representative Gary Kreidt**, District 33, Mercer, testified in favor of the bill.

**Rep. Kreidt-** I am here to speak in favor of this bill. I am here just to give you a little bit of information. On the house floor when this bill was discussed people that do not have nursing home insurance to help pay their bill or support a bill like this to cover some of those fiscal note dollars. I had some information gathered about people that do own nursing home insurance at the present time and also are in facilities that are covered under the medical assistance program. For the year 2008, individuals in nursing facilities paid 4.2 million dollars. So the point that I am making is that in the present day per rate, that fiscal note would be recovered just by those individuals entering the nursing home.

**Sen. Mathern-** I would kind of be interested with that rational why don't we buy a policy for everybody?

**Rep. Kreidt-** many years ago, I sat down with the department of health and told them that it would be interesting if the department would start buying nursing home policies for our recipients and they kind of laughed at me.

**Norbert Mayer,** North Dakota Association of Insurance and Financial Advisors testified in favor of the bill. See attached testimony, attachment #1.

**Senator Mathern-** I would like to know the rational per years under section one in terms of the person buying the product and I want to know what is the average premium?

**Norbert-** the rational, I am assuming you are referring to the 2007, for those people under the age of 61 they need to purchase a plan that compounds at either 5% or 3% to keep pace with inflation. Years past we sold many plans which what we called a guaranteed purchase option, those did not inflate automatically and today we are finding that those people are saying that they can no longer afford to keep pace with inflation. So that is why the partnership plan requires compound inflation.

**Senator Kilzer-** in your experience how many people have nursing home insurance and than drop it?

**Norbert** – in my personal experience I have had very few people drop it, many do not generally drop their plan but they may have a plan that is inadequate as far as covering todays costs are concerned.

**Senator Kilzer-** is there any such thing as a prepaid or one time premium?

**Norbert-** I am not totally aware it there is a plan like that but I would assume they are out there, but a prepaid plan is very much available.

**Bruce Murray,** ND P & A testified in favor of the bill. See attached testimony, attachment #2.

**Shelly Peterson,** President of the North Dakota Long Term Care Association testified in favor of the bill. See attached testimony, attachment #3.

**V. Chair Grindberg-** are you aware of other states that provide credit such as this?

**Shelly-** I am not aware.

**Senator Robinson-** the testimony provided on page 2 references the fact of your name of long term care, when I think of long care these days I think of VD, that is long term care.

**Shelly-** our name used to be ND Health care association and we thought that wasn't appropriate as to long term care, long term care can be given to young and older people and it seems to fit well, 80% of all of our members provide either nursing home care and a variety of others so we are broadening the concept of long term care.

**V. Chair Bowman-** what guarantee is there that the insurance company will be here in ten years?

**Shelly-** I can't answer that, maybe someone from the insurance company can answer that.

**Senator Mathern-** on your testimony relating to the October 1<sup>st</sup> survey, it says only 13% has long term care insurance, do you have comparable dates coverage?

**Shelly-** we don't have a October 1<sup>st</sup> date, prior to last session we did ask the very same question at some point in time and I can get you that data.

**Jonathan Spilde**, Marketing Director for SIA Marketing, Inc. testified in favor of the bill. See attached testimony, attachment #4.

**Sen. Robinson-** what would say as to the financial stability of the insurance industry and what has happened in the last 2 months and what is going to happen to those policy holders that have a policy from a company that is gone?

**Johnathan-** insurance companies are made up of a lot of different arms and different divisions and what not, what a lot of them do is reinsure their business so they cover their risk that way as well. The department would have to answer that more clearly.

**Michael Fix**, Director of the life and health division, testified in support of the bill.

**Michael-** I did a survey of the companies that are currently offering products in ND under the partnership program and I did receive some numbers. The number of policies sold was about 823 and in 2007 it was about 590. Currently there are 18 companies that offer 52 long term are policies are certified for the partnership program and that number is increasing. So that is why we support the idea of a tax credit.

**V. Chair Grindberg-** as an insurance company looks at its portfolio and its expected market opportunity with offering a product and than the long term of usage they run their own actuarial, that would have an effect on how you would set it up and the ability to pay and the market share that would effect how they would price their product. It would just seem to me that would have an effect on how the company would look at it's pricing.

**Michael-** to the extent that it would generate more soils that can actually be an advantage from the companies stand point.

**Senator Warner-** on the fiscal note it doesn't include the 16% that comes back in from premium taxes, is that correct?

**Michael-** that is correct.

**Sen. Warner-** did your department do any analysis on how the state would be affected if we issued this as a deduction rather than a credit?

**Michael-** we didn't do an analysis.

**Kent Olson**, Director of Professional Insurance Agents in North Dakota testified in support of the bill.

**Kent-** We have about 1,000 members in about 300 different locations and we support the bill from this perspective.

**Sen. Kilzer-** I have a question for whoever can best answer it but when we have a tax exemption like this is or would we have a tax deduction but either way there is a big difference of \$250 which is quite a difference. And wondering if maybe we could see a fiscal note along that line.

**Joseph Becker** (with State Tax Office)- to questions regarding the deduction versus the credit, credit is obviously a deduction in the tax liability, when you go with a deduction it does reduce the fiscal note because you are going to back it up in that deduction in taxable income and then the fiscal note would be based on whatever the current tax rate happens to be.

**Chairman Holmberg** – my understanding is that there is a fiscal note being prepared based upon what is in the bill right now, a relook at it.

**Senator Kilzer-** that would be a big part of it, but with the present experience, people who were purchasing policies and who would be purchasing policy what the difference in the fiscal note might be to the state.

**Chairman Holmberg** closed the hearing on 1209.

## 2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1209

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 2, 2009

Recorder Job Number: 11645

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened discussion on HB 1209.

**V. Chair Grindberg** updated everyone on the bill.

**V. Chair Grindberg** moved Do Pass.

**Senator Robinson** seconded.

A Roll Call vote was taken. Yea: 13    Nay: 0    Absent: 1

The bill goes back to Finance & Tax and Senator Oehlke will carry the bill.

**Chairman Holmberg** closed the hearing.

Date: 4-2-09  
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1209

Senate Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Grindberg Seconded By Robinson

Representatives	Yes	No	Representatives	Yes	No
Senator Krebsbach	<input checked="" type="checkbox"/>		Senator Seymour	<input checked="" type="checkbox"/>	
Senator Fischer	<input checked="" type="checkbox"/>		Senator Lindaas	<input checked="" type="checkbox"/>	
Senator Wardner	<input checked="" type="checkbox"/>		Senator Robinson	<input checked="" type="checkbox"/>	
Senator Kilzer	<input checked="" type="checkbox"/>		Senator Warner	<input checked="" type="checkbox"/>	
V. Chair Bowman	<input checked="" type="checkbox"/>		Senator Krauter	<input checked="" type="checkbox"/>	
Senator Christmann			Senator Mathern	<input checked="" type="checkbox"/>	
V. Chair Grindberg	<input checked="" type="checkbox"/>				
Chairman Holmberg	<input checked="" type="checkbox"/>				

Total Yes 13 No 0

Absent 1

Floor Assignment back F+T ohlke

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



**REPORT OF STANDING COMMITTEE (410)**  
April 2, 2009 10:43 a.m.

**Module No: SR-56-5958**  
**Carrier: Oehlke**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1209: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1209 was placed on the  
Fourteenth order on the calendar.

2009 TESTIMONY

HB 1209



P.O. Box 5010  
Bismarck, ND 58502  
Web: [www.naifa-nd.org](http://www.naifa-nd.org)



*Testimony 1*

Phone: 701-258-9525  
Fax: 701-222-0103  
Email: [info@naifa-nd.org](mailto:info@naifa-nd.org)

**TESTIMONY SUPPORTING HB 1209**  
**January 14, 2009**  
**10:30 am**

**HOUSE FINANCE & TAXATION COMMITTEE**  
**WESLEY BELTER, CHAIR**

Mr. Chairman and members of the House Finance and Taxation Committee.

My name is Norbert Mayer, I represent the members of the ND Association of Insurance and Financial Advisors, and we ask for your support of HB 1209. I will attempt to give you an overview of the bill and its purposes, as we have others here who can provide you with greater detail.

This tax credit is to encourage and assist more North Dakotans to purchase insurance to help pay for their long term care needs due to chronic illnesses, such as stroke, heart disease and the diseases associated with memory loss. This care requires a lot of personal attention and therefore is expensive. Information from the ND Department of Human Services indicated that in 2005 the average cost of Nursing Home care was \$4,395.00 per month or \$144.48 per day. Those same costs for 2009 are \$5,453.00 or \$179.27 per day. That is a yearly increase of just over 5%. Keeping in mind that 2/3's or more of that cost is to pay for personnel, we can understand why the costs continue to grow. These LTC insurance plans can also provide benefits for home care, assisted living facility care and in most cases any other kind of care approved by the individual, his or her doctor and the insurance company. These alternate methods of care can often delay admission to a nursing home.

This bill would provide a tax credit, dollar for dollar up to \$250.00 for each individual paying premiums on a partnership qualified plan purchased on or after January 1, 2007. This date coincides with the approval date of the ND Medicaid Partnership Plan and allows us to come up with a reasonably accurate fiscal note.

The credit would be available on the ND 1 (short) Tax Form. We now have a \$100.00 credit on the ND 2 (long) Tax Form, however very few individuals file that form and therefore the credit goes largely unused.

We believe that this credit will make it more affordable for individuals to purchase LTC insurance plans, resulting in more long term care costs being paid from insurance and thereby slowing the growth of the Medicaid budget. It will discourage people from transferring their assets in order to make them eligible for Medicaid. This credit is a small investment now to save many more Medicaid dollars in the future.

Individuals without LTC insurance pay for these costs with personal savings, however if the stay becomes lengthy they soon run out of money and go on to Medicaid. Another option considered is Medicare, however it is a health insurance plan and only pays as long as a person's condition is medically treatable and they continue to make improvement. The Medicare rules are very stringent and do not cover extended stays. Others rely on family members to provide the care at minimal cost. This works to a limited extent if there is a spouse present, however the care burden on the spouse often causes their health to fail.

We urge you to give a "DO PASS" recommendation for HB 1209, encouraging and assisting more people to purchase LTC insurance, thereby making it possible to pay more of those costs from private insurance and reducing the burden on the Medicaid budget. North Dakotans are proud people who prefer to take care of their own needs and this bill will make it possible for more of them to do that.

Thank you for your time and consideration. I would be happy to answer any questions you might have.

2  
HB 1209  
14 Jan 09

Same testimony given to Senate Finance & House Tax & Senate approps

**Testimony on HB 1209**  
**House Finance and Taxation Committee**  
**January 14, 2009**

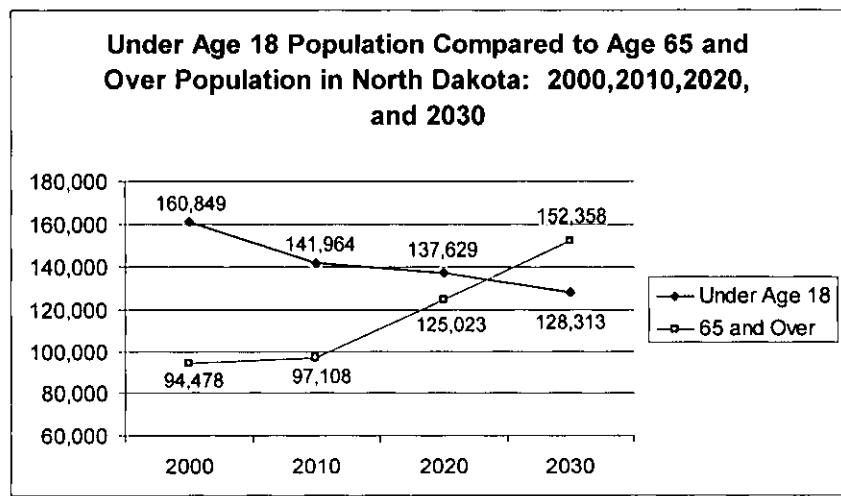
Chairman Belter and members of the House Finance and Taxation Committee, thank you for the opportunity to testify on HB 1209. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. We represent assisted living facilities, basic care facilities and nursing facilities in North Dakota. We wish to go on record supporting HB 1209.

You have experts in the room who can address the specifics of HB 1209, what I would like to do is talk about North Dakota's aging population, who is most likely to need long term care and the cost of long term care.

Aging in America

The over 85 population is the fastest growing segment of the United States population and is growing six times faster than the rest of the population.

- North Dakota leads the nation with the highest proportion of individuals age 85 and older (2.3%).
- North Dakota is fourth in the nation in age 65 and older.
- From 2000 to 2030, North Dakota's age 65 and older population will grow by 61% and our under age 18 population will decrease by 20%.
- Long term care facilities provide care for over 14,000 North Dakotans annually.




Source: File 2. Interim State Projections of Population for Five-Year Age Groups and Selected Age Groups by Sex: July 1, 2004 to 2030. U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.



## Who Will Need Long Term Care in North Dakota?

- Two of every five North Dakotans will need long term care sometime in their lives.
- The need for personal assistance with everyday activities increase with age.
- The three top factors impacting a need for nursing home care are being a woman, being 80 or older, and living alone.
- At age 75, 60% of individuals are living alone.
- The most common reasons given for nursing home placement include the need for assistance with daily care, complex medical needs, and the need for continuous supervision; needs that can't be scheduled around intermittent care.




In North Dakota, well over two-thirds of nursing home residents are women, their average age is 83, however, the age range of residents is 20 to 110 years old. Prior to needing long term care the vast majority of individuals are admitted from their own home, with many experiencing a short term hospital admission prior to entry into the nursing facility.

The average length of stay for residents that were discharged last year was 350 days. This is slightly down from 2006, where the average length of stay was 1.1 years. Today, twenty-six percent of all residents admitted to a North Dakota nursing facility are discharged back to their own home. Frail medical conditions, advancing dementia and complex medical needs contribute to fifty-one percent of admissions eventually resulting in death.

### Cost of Long Term Care:

The cost for long term care depends on what kind of care you received, how much care you use and in what setting you receive your care.

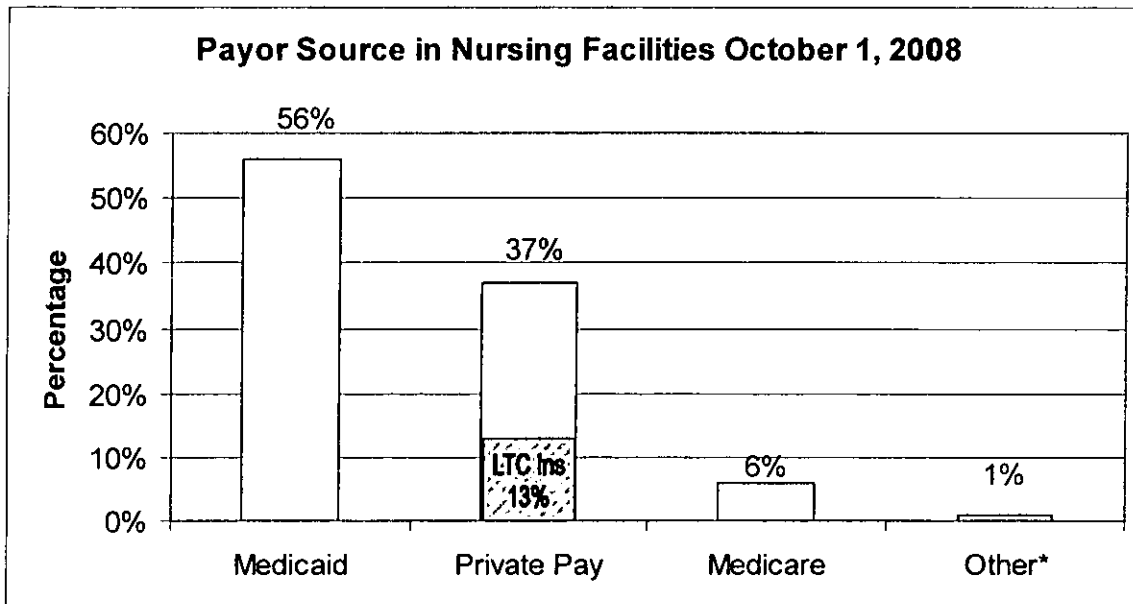


## Average Care Costs in North Dakota

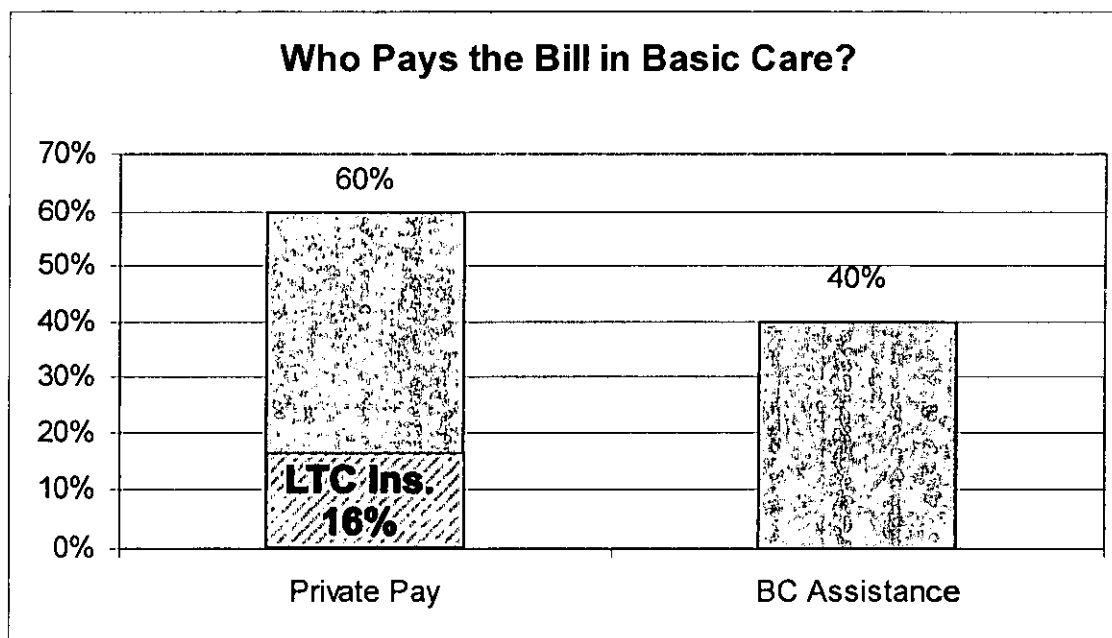
Type of Setting	Service	Cost
Nursing Facility (83)	24-hour round the clock nursing care	\$179.27 per day (\$7.47 per hour)
Basic Care Facility (58)	Residential care and services	\$87.21 per day (\$3.63 per hour)
Assisted Living Facility (61)	Apartment setting with contracted services	
QSP (Qualified Service Provider) (1,718)	Non-medical caregiver in home	13.80 per hour for individual \$19.64 per hour agency
QSP with Nursing Oversight	Nurse trains QSPs for nursing tasks such as medication management	\$36.04 per hour for RN trainer \$45.88 per hour for RN Agency oversight
Home Health (28)	RN service in home	\$80 to \$120 per hour

Even at the lowest cost, you can find yourself spending a lot of money on long term care, depending on how much of your care is supplemented by family and friends. Currently Medicare pays very little and Medicaid is paying by default when all a person's assets and income are exhausted.

Below is a bar graph showing the payment sources in basic care and nursing facilities:




This chart shows payment sources on October 1, 2008, the 12 month average is 54% for Medicaid and just under 40% for private pay.



Medicaid is the largest public source of funding for long term care in the United States and in North Dakota. It is an essential lifeline for the most vulnerable Americans. In 2004, Medicaid paid for 49% of the total amount spent on long term care services in the United States. State financing of long term care costs is a significant issue every legislative session.





We need to improve the financing of long term care and encourage North Dakotans and all Americans to plan for their future. HB 1209 is an incentive and reward for North Dakotans to consider as they plan for their long term care.

The more we entice individuals to plan and pay for their own care, the less burden for the state.

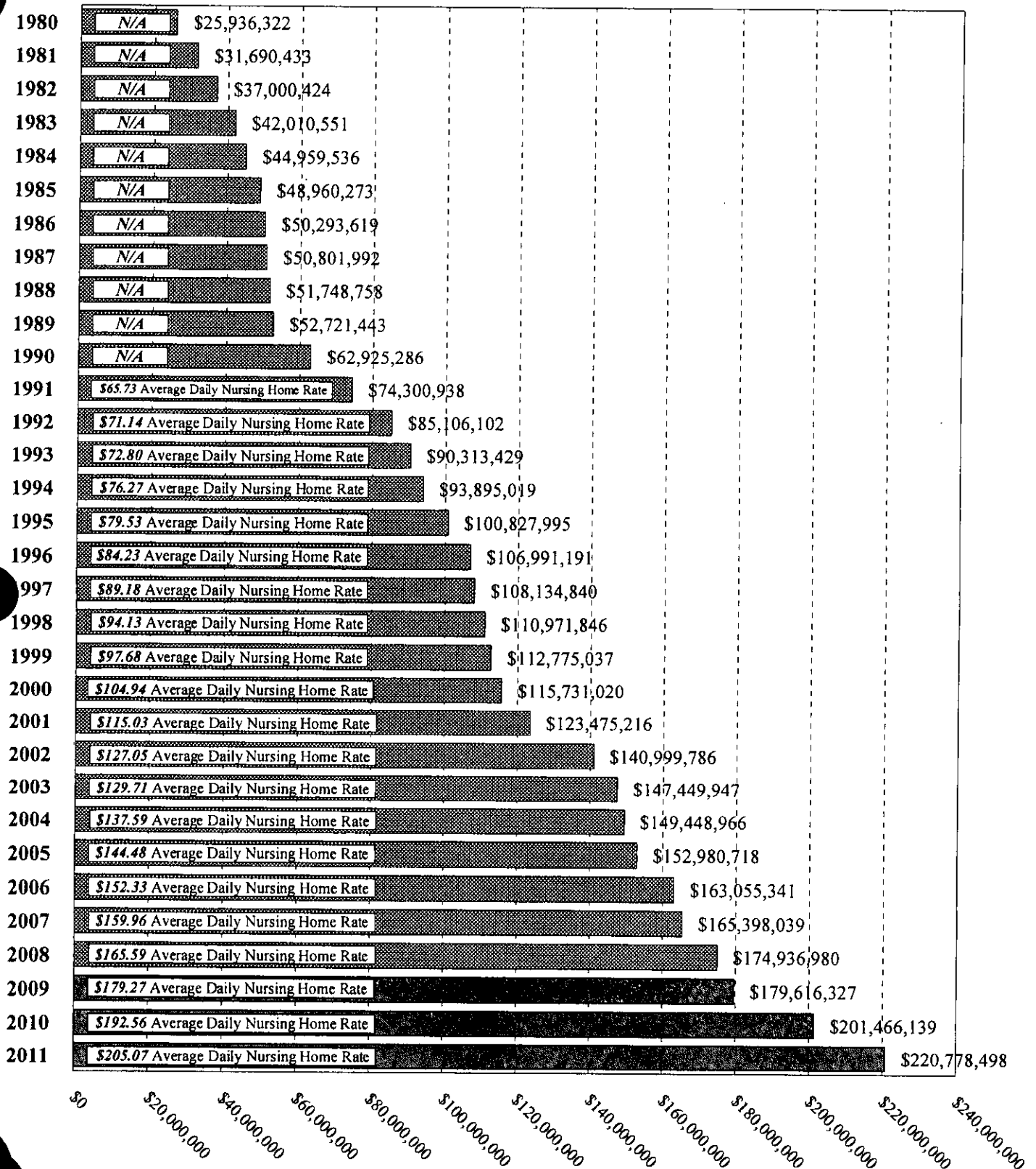
Let's continue to send a positive message of planning for long term care. Your consideration of HB 1209 is appreciated.

Shelly Peterson, President  
North Dakota Long Term Care Association  
1900 North 11<sup>th</sup> Street • Bismarck, ND 58501  
(701) 222-0660 • [www.ndltca.org](http://www.ndltca.org) • E-mail: [shelly@ndltca.org](mailto:shelly@ndltca.org)



North Dakota Department of Human Services  
Nursing Home Facilities  
Fiscal Years 1980 - 2011 \*  
House Bill 1012  
2009 - 2011 Biennium

Attachment D



1980 through 2008 represents actual expenditures.  
2009 represents four months actual and eight months estimated expenditures.  
2010 and 2011 represents estimated expenditures included in the Governor's budget.  
The average daily nursing home rate is effective January 1 of each year as indicated.

**Testimony**  
**House Bill 1209 – Department of Human Services**  
**House Finance and Taxation Committee**  
**Representative Wesley Belter, Chairman**  
**January 14, 2009**

3  
Same given  
to Senate.

Chairman Belter, members of the Finance and Taxation Committee, I am Curtis Volesky, Director of Medicaid Eligibility for the Department of Human Services. The Department is here today to provide information for House Bill 1209.

**LONG-TERM CARE PARTNERSHIP PROGRAM**

North Dakota has been interested in developing a partnership program for some time. 2005 House Bill 1217, which passed, permitted individuals to purchase long-term care insurance and then protect part or all of their assets if they still needed long-term care services after the insurance ends. 2007 Senate Bill 2124 further confirmed the state's interest in creating a partnership program.

Implementation of a partnership program was contingent on Congress changing federal law to permit states to establish such plans as part of their Medicaid programs. The Deficit Reduction Act of 2005 changed the federal law and authorized implementation. The Department worked with the Insurance Department and private insurance professionals to create a program. The North Dakota Long Term Care Partnership Program became effective on January 1, 2007.

Partnership Programs provide an additional level of financial protection and have the potential to save money for individuals and to reduce state

and federal expenditures. The partnership insurance covers the LTC expenses so individuals or couples do not have to spend all of their own assets on the cost of care. Individuals with partnership plans may never need Medicaid coverage, or may need it for a shorter period of time. In the event that they do need Medicaid, the Partnership Program allows individuals to protect assets equal to the insurance benefits received from the Partnership Policy. Those protected assets are also protected from Medicaid estate recoveries.

**Example:** An individual in nursing care receives \$200,000 of insurance benefits from a partnership policy. The policy ends and the individual is still in the nursing home. The individual can apply for Medicaid coverage and retain \$200,000 of assets above the amount normally permitted for Medicaid eligibility. An equal amount is also protected from Medicaid estate recovery.

To qualify as a Partnership Policy the insurance policy must satisfy all of the requirements as identified in Section 1 of House Bill 1209.

Partnership Policies issued in North Dakota are identified by a notice to the policy holder that certifies it as a Partnership Policy at the time the policy is issued. The notice is only issued if the policy meets all of the identified criteria, including the inflation protection requirements.

I would be happy to address any questions that you may have.

**HOUSE BILL NO. 1209**

**Presented by:** Michael L. Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** House Finance and Taxation Committee  
Representative Wes Belter, Chairman

**Date:** January 14, 2009

**North Dakota Long-Term Care Insurance Partnership Program**  
**Sales Information**

The North Dakota Long-Term Care Partnership Program became effective for qualifying long-term care insurance policies issued on or after January 1, 2007.

The Insurance Department surveyed the companies that have been certified by the Insurance Commissioner as having qualifying long-term care insurance policies to determine the total level of sales and the level of sales for qualifying policies.

To date, the information obtained from the companies who have responded includes:

**Total Long-Term Care Insurance Sales**

	<b><u>2007</u></b>	<b><u>2008</u></b>
Number of policies	1,920	1,805
Annual premium	\$3,199,100	\$3,112,082
Average annual premium per policy	\$1,666	\$1,724

**Long-Term Care Insurance Sales**  
**Qualifying for Partnership Program**

	<b><u>2007</u></b>	<b><u>2008</u></b>
Number of policies	595	823
Annual premium	\$1,277,211	\$1,715,037
Average annual premium per policy	\$2,146	\$2,084

# Married:

- \$100 Per Day
- 100% Home and Community Care
- Standard Rate • 90 Day Elimination
- Shared Care • Lifetime Payment

North Dakota

## 5%Compound/CPI Inflation

3 Years

5 Years

5 Years + 1 Million/Unlimited (no shared care)

	John			John			John			John			John			John		
	Hancock Custom Care II Enhanced	Hancock Leading Edge 100 Days	Genworth Privileged Choice	Genworth Classic Select	MedAmerica Simplicity II (\$100,000) No Shared	Hancock Custom Care II Enhanced	Hancock Leading Edge 100 Days	Genworth Privileged Choice	Genworth Classic Select	Hancock Custom Care II Enhanced	Hancock Leading Edge 100 Days	Genworth Privileged Choice	Genworth Classic Select	MedAmerica Simplicity II (\$200,000)	Hancock Custom Care II Enhanced	Hancock Leading Edge 100 Days	Genworth Privileged Choice	Genworth Classic Select
25	463	414	832	735	664	531	497	970	894	1,186	714	646	1,320	1,196	714	646	1,320	1,196
30	487	439	866	796	680	554	521	1,040	955	1,214	756	683	1,426	1,286	756	683	1,426	1,286
35	536	490	936	857	767	524	585	1,144	1,028	1,368	840	765	1,533	1,384	840	765	1,533	1,384
40	587	549	1,005	918	869	693	657	1,213	1,102	1,550	924	862	1,639	1,482	924	862	1,639	1,482
45	682	650	1,040	943	992	809	785	1,247	1,126	1,768	1,092	1,025	1,660	1,512	1,092	1,025	1,660	1,512
50	804	777	1,109	1,016	1,144	947	929	1,317	1,188	2,036	1,302	1,219	1,745	1,587	1,302	1,219	1,745	1,587
55	926	1,145	1,213	1,102	1,335	1,063	1,034	1,386	1,273	2,376	1,533	1,397	1,852	1,677	1,533	1,397	1,852	1,677
60	1,145	1,141	1,455	1,327	1,603	1,317	1,306	1,759	1,602	2,852	1,869	1,768	2,469	2,234	1,869	1,768	2,469	2,234
65	1,462	1,495	1,962	1,793	1,996	1,733	1,762	2,402	2,175	3,560	2,499	2,354	3,285	2,975	2,499	2,354	3,285	2,975

# GROUP LONG-TERM CARE INSURANCE



Underwritten by:

**UNUM Life Insurance Company of America**

## **Eligibility:**

Eligible employees are those employees who are at least 18 years of age, work at least 20 hours per week for 20 or more weeks per year for a state agency, and whose positions are regularly funded and not of limited duration (i.e., permanent).

## **Enrollment:**

You and/or your spouse may enroll at any time and must be medically underwritten. Coverage is effective the first day of the month following approval by UNUM. Contact your Payroll/Human Resource Department for a Long-Term Care enrollment kit. You can also obtain the enrollment kit by visiting the Unum website at <http://w3acp.unumprovident.com/enroll/ndpers/index.aspx>

Long Term Care (LTC) insurance pays benefits based on your ability to function independently as defined by six Activities of Daily Living (ADLs). The ADLs used to measure your ability to function independently are bathing, dressing, toileting, transferring, continence, and eating. If you lose the functional capacity or require standby assistance to perform any two of the six ADLs, UNUM considers you to have lost the ability. The plan also pays benefits for long-term care needs that result from cognitive impairment that results from advanced age, Alzheimer's disease, or similar forms of irreversible dementia.

The plan offers additional optional features that give you the freedom to design your LTC plan. The "Paid-Up" feature provides protection should you stop paying premiums for any reason. The "Inflation Protection" feature protects your LTC benefit from the impact of inflation. Your premium amount will be based on your age at the time you apply for coverage, the level of coverage you select, and your lifetime maximum benefit amount.

You and/or your spouse may enroll at any time and must be medically underwritten. Coverage is effective the first day of the month following approval by UNUM.

*Same  
handout given  
to Senate*[Home](#) | [Overview](#) | [Calculator](#) | [Enrollment](#)

Thirteen  
million  
baby  
boomers  
are  
caring  
for  
ailing  
parents,  
and  
25%  
live with  
them.<sup>1</sup>

## Defining Long Term Care

The need to plan for long term care is an increasingly important issue facing individuals today. Chances are you've heard the term before, but exactly what is it? Long term care is the assistance received when someone needs help with two or more Activities of Daily Living —such as dressing, bathing, going to the bathroom, eating or moving about —or when someone suffers a severe cognitive impairment. This care could be provided in the home, in an assisted living or residential care facility, or in a skilled nursing facility such as a nursing home.

## It Can Affect You

Most people don't think about long term care until it affects someone close to them. If you've cared for an aging parent or close relative, a husband or wife, or a child who has had a debilitating injury or illness, you probably realize the implications of providing and needing this type of care. Even those who have been conscientiously saving for retirement could experience financial setbacks. That's because without long term care insurance, prolonged expenses can add up quickly.

- The national average for long term care is close to \$70,000 per year.<sup>2</sup>
- The average hourly rate for a home health aide is \$25. Based on this rate, four hours of home health aide services daily would total about \$36,500 a year.<sup>3</sup>
- Long-term care costs are expected to double by the year 2025 and nearly quadruple by 2050.<sup>4</sup>

What's even more alarming is that individuals and their families usually bear the weight of this financial burden. Health insurance doesn't cover most expenses related to long term care. Government funding falls short by providing limited financial support from Medicare. And although Medicaid covers approximately half of the nation's nursing home expenses, you must first deplete the vast majority of your assets to qualify.<sup>5</sup>

## The Need for Long Term Care

There are 10 million people who need long-term care today.<sup>6</sup> And because women generally outlive men by several years, they face a greater likelihood of entering a nursing home after age 65.<sup>7</sup>

Long term care insurance can help you preserve your independence and financial security, and can help relieve your family members of the burden of making decisions about how to pay for care.

In addition, long term care insurance provides you with a choice of how and where you will receive care. Like most people today, you want to receive quality care that lets you stay at home for as long as possible and have the flexibility to choose the care options that work best for you and your family. Long term care insurance gives you the option to do just that.



## The Impact of Long Term Care

Once considered an issue concerning only older adults, long term care now affects a younger population. Chances are, if you're not the person actually needing care, you may be the one providing it.

Many of these caregivers are working age adults who must balance a career with the needs of their family member. Long term care insurance can provide needed resources for care — taking the focus off financial restrictions and helping caregivers spend more time with loved ones.

## Why Buy Our Long Term Care Insurance Through Your Workplace?

Signing up for coverage at the workplace is simple and you can pay your premiums through convenient payroll deduction. In addition, this coverage is available to your family members. Based on the plan your employer is offering, you can apply for coverage now with little or no medical underwriting. Medical underwriting means that you must complete a medical questionnaire. Benefits may be subject to a pre-existing condition exclusion.

## Plan Now-Benefit Later

Long term care insurance is an important part of your financial or retirement planning. Purchasing coverage now gives you the most affordable rate. It can also give you comfort in knowing that you're helping to preserve your retirement funds and savings for you and your family.

## LTC Connect®

We realize that the need for long term care raises issues and questions that you may have never considered. When you need answers to your long term care questions, turn to LTC Connect®, an information and referral program available to you and your family. This program, offered at no additional cost, helps you effectively deal with your long term care questions and concerns, and can link you to the most appropriate long term care providers in your area.

## Look to a Leader

As one of the nation's leading disability insurers, we have developed long term care solutions that can help preserve your assets. Our LTC insurance can help secure your future and the futures of those you love, and it may be one of the most economical ways to manage life's risks. You protect other things you hold dear—such as your home, your car, even your life, but why not preserve one of your greatest assets—your financial future? Purchasing long term care insurance from us won't make you invincible, but it can help secure your assets against the costly effects of long term care. To learn more about how our long term care insurance can be part of your financial portfolio, call your representative today or visit our web site at [www.unum.com](http://www.unum.com).

There are 10 million people who need long-term care today.<sup>6</sup>

[Back](#)[Next](#)

<sup>1</sup> Senior Journal.com, "Thirteen Million Baby Boomers Care for Ailing Parents, 25% Live with Parents," October 19, 2005.

Georgetown University, Long-Term Care Financing Project, "National Spending for Long-term Care Fact Sheet," January 2007.

Georgetown University, Long-Term Care Financing Project, "National Spending for Long-term Care Fact Sheet," January 2007.

<sup>4</sup> "Medicaid in Crisis: Could Long Term Care Partnerships Be Part of the Solution?" Testimony by Senator Larry Craig, 2004 committee chairman, before the U.S. Senate Special Committee on Aging, June 22, 2004.

<sup>5</sup> The Kaiser Commission on Medicaid and the Uninsured. "Myths & Facts, Medicaid's Role In Long Term Care, Q&A Fact Sheet." Cited September

26, 2006.

6 "Long-Term Care Financing: Are Americans Prepared?" Testimony by Senator Herb Kohl, 2006 committee chairman, before the U.S. Senate Special Committee on Aging Committee chairman, March 9, 2006.

7 AARP, Policy & Research for Professionals in Planning, 2005.

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LTC-150

ND

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**HOUSE BILL NO. 1209**

**Presented by:** Michael L. Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** House Finance and Taxation Committee  
Representative Wes Belter, Chairman

**Date:** January 14, 2009

**North Dakota Long-Term Care Insurance Partnership Program**  
**Certified Companies**

The following companies have been certified by the Insurance Commissioner as having products that qualify for the Long-Term Care Insurance Partnership Program as of January 14, 2009. These companies offer at least one qualifying long-term care insurance product.

<b><u>Company</u></b>	<b><u>Date of Certification</u></b>
Assurity Life Insurance Company	02/05/08
Bankers Life and Casualty	01/14/08
Equitable Life and Casualty	11/15/07
Genworth Life Insurance Company	01/17/08
Great American Life Insurance Company	10/15/07
John Hancock Life Insurance Company	10/15/07
Massachusetts Mutual Life Insurance Company	10/22/08
MedAmerica Insurance Company	09/04/07
Metropolitan Life	09/21/07
Minnesota Life Insurance Company	02/05/08
Mutual of Omaha	09/21/07
New York Life	11/30/07
Northwestern Long-Term Care Insurance Company	05/13/08
Penn Treaty Network America	03/04/08
Prudential Insurance Company of America	10/03/07
State Farm Mutual Automobile Insurance Company	07/18/08
Transamerica Life Insurance Company	05/19/08
United of Omaha	09/21/07

## Married:

•\$100 Per Day

- 100% Home and Community Care
- Standard Rate •90 Day Elimination
- Shared Care •Lifetime Payment

North Dakota

## 5%Compound/CPI Inflation

3 Years

5 Years

5 Years + 1 Million/Unlimited (no shared care)

	John Hancock			John Hancock			John Hancock			John Hancock			John Hancock			John Hancock		
	Custom Care II Enhanced	Leading Edge 100 Days	Privileged Choice	Genworth Classic Select	MedAmerica Simplicity II (\$100,000) No Shared	John Hancock Custom Care II Enhanced	Leading Edge 100 Days	Privileged Choice	Genworth Classic Select	MedAmerica Simplicity II (\$200,000)	John Hancock Custom Care II Enhanced	Leading Edge 100 Days	Privileged Choice	Genworth Classic Select	John Hancock Custom Care II Enhanced	Leading Edge 100 Days	Privileged Choice	Genworth Classic Select
25	463	414	832	735	664	531	497	970	894	1,186	714	646	1320	1196	714	646	1320	1196
30	487	432	866	796	680	554	521	1040	955	1,214	756	683	1426	1286	756	683	1426	1286
35	536	490	936	857	767	524	585	1144	1028	1,368	840	765	1533	1384	840	765	1533	1384
40	567	549	1,005	918	869	693	657	1,213	1,102	1,550	924	862	1,639	1,482	924	862	1,639	1,482
45	682	650	1,040	943	992	809	785	1,247	1,126	1,768	1,092	1,025	1,660	1,512	1,092	1,025	1,660	1,512
50	804	777	1,109	1,016	1,144	947	929	1,317	1,188	2,036	1,302	1,219	1,745	1,587	1,302	1,219	1,745	1,587
55	926	1,145	1,213	1,102	1,335	1,063	1,034	1,386	1,273	2,376	1,533	1,397	1,862	1,677	1,533	1,397	1,862	1,677
60	1,145	1,141	1,455	1,327	1,603	1,317	1,306	1,759	1,602	2,852	1,869	1,768	2,469	2,234	1,869	1,768	2,469	2,234
65	1,462	1,495	1,962	1,793	1,996	1,733	1,762	2,402	2,175	3,560	2,499	2,354	3,285	2,975	2,499	2,354	3,285	2,975

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## TESTIMONY

BEFORE THE HOUSE FINANCE AND TAXATION COMMITTEE

JANUARY 14, 2009

Chairman Belter, and members of the House Finance and Taxation committee, my name is Jonathan Spilde and I am Marketing Director for SIA Marketing, Inc. We are 30 year, nationally recognized specialists in Long Term Care insurance education, product design, administration, and distribution. That said, our home office is in North Dakota--right here in Bismarck. I come before your committee today in support of HB 1209.

Long term Care insurance saves Medicaid dollars. It saves the state of ND money—no question. It also does a great job protecting clients and their assets—ensuring the family farm stays in the family, preserving the “nest eggs” all of us work so hard to build. In fact, from the available data since the first Partnership Long Term Care policies were purchased (in the original 4 Partnership states of CA, CT, IN, and NY) up through March 2005, only ½ of 1% of all Partnership policyholders exhausted their benefits and accessed Medicaid. Sounds terrific, right? The problem is that **premium cost is still the #1 reason people do not purchase private Long Term Care insurance.**

HB 1209 provides for a state income tax credit of \$250 per policyholder, and represents an opportunity for many more North Dakotans to purchase more affordable Partnership Long Term Care insurance coverage. The North Dakota Long Term Care Partnership program was established effective as of January 1, 2007. It was designed and intended to be a meaningful step toward affordable, private Long Term Care insurance protection for our citizens immediately and, over time, saving future Medicaid dollars for the truly needy. In short, I purchase an approved Partnership policy, and my assets are protected to the level of the total benefits paid by the policy. For example, if my Partnership policy paid out \$100,000 in total benefits, then I would be eligible to apply for Medicaid while still retaining \$100,000 in assets. The tax credit created with HB 1209 is a significant

incentive for citizens to purchase and maintain Partnership Long Term Care coverage. This is extremely important, because while each of us desires financial security for our families and the peace of mind that comes with being insured against the catastrophic expenses brought on by long term care, the plain fact is that—despite the assurances the Partnership program offers, sales of Long Term Care policies in ND are *decreasing*.

So what is being done? You may recall Public Service radio and television spots that ran this past April encouraging people to plan for long term care expenses. These announcements were part of a joint Federal/State initiative called “Own Your Future”, and were followed by letters mailed from the Office of the Governor, again encouraging us to consider the potential costs of long term care as we plan for retirement, and offering a free information kit to help get the process started. The message is out there—it is being delivered and it is being received. People understand that the cost of care is high and want very much to protect the “nest egg”, but all too often consider the cost of insurance coverage to be unaffordable. Premium cost is the biggest challenge, and this tax credit will reduce that cost and result in a very positive impact for our State. HB 1209 is the ideal complement to the “Own Your Future” initiative and the ND Long Term Care Partnership program. This bill is really about far more than just adding another credit onto our tax form, it is about making a difference—a real difference in the quality of life for ND families now and for generations still to come.

Mr. Chairman and members of this committee, I urge you to send a strong, positive message of support for the citizens of North Dakota with a “DO PASS” recommendation for HB 1209. Thank you! I’d be happy to answer any questions you might have.

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TESTIMONY – PROTECTION AND ADVOCACY PROJECT  
HOUSE BILL 1209 (2009)  
HOUSE FINANCE AND TAXATION COMMITTEE  
Honorable Wesley R. Belter, Chairman  
January 14, 2009

Chairman Belter, and members of the House Finance and Taxation Committee, I am Bruce Murry, a lawyer with the North Dakota Protection and Advocacy Project (P&A). P&A is a state agency advocating for North Dakotans with disabilities. P&A supports HB 1209.

P&A advocates for North Dakotans to make informed decisions about how they receive privately or publicly funded care. P&A agrees that the exercise of personal responsibility and planning increases personal liberty in the future. This bill will help people now wavering in their decisions to proactively prepare for their future needs.

Personally, as a couple aged 40 and 39, my wife and I have decided to wait at least 5 years to purchase long term care insurance. This tax credit would probably cause us to reconsider that delay.

Thank you for your consideration.

#1  
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**TESTIMONY SUPPORTING HB 1209**  
**February 25, 2009**  
**10:15 am**

**SENATE FINANCE & TAXATION COMMITTEE**  
**DWIGHT COOK, CHAIR**

Mr. Chairman and members of the Senate Finance and Taxation Committee.

My name is Norbert Mayer, I represent the members of the North Dakota Association of Insurance and Financial Advisors, and we ask for your support of HB 1209. I will attempt to give you an overview of the bill and its purposes and others to follow will testify and provide additional detail.

This bill would provide a tax credit, dollar for dollar up to \$250.00 for each individual paying premiums on a partnership qualified Long Term Care plan purchased on or after January 1, 2007. This date coincides with the approval date of the ND Medicaid Partnership Plan and allowed us to come up with a reasonably accurate fiscal note. The question is raised as to why not all long term care plans are included? This plan is to encourage more people to purchase long term care insurance so that in the future more people will be able to pay their own way, thereby saving Medicaid dollars. Will this cause those who now have long term care insurance to replace it with new insurance? The answer is not very likely, because the new plan would be issued at their current attained age, and in all likelihood the premium would increase by more than the \$250.00 credit allowance.

The credit would be available on the ND 1 (short) Tax Form. We now have a \$100.00 credit on the ND 2 (long) Tax Form, however very few individuals file that form and therefore the credit goes largely unused.



This tax credit is to encourage and assist more North Dakotans to purchase insurance to help pay for their long term care needs due to chronic illnesses, such as stroke, heart disease and the diseases associated with memory loss. This care requires a lot of personal attention and therefore is very expensive. Information from the ND Department of Human Services indicated that in 2005 the average cost of Nursing Home care was 144.48 per day, or \$4,395.00 per month. Those same costs for 2009 are 179.27 per day or \$5,453.00 per month. This amounts to \$65,160 per year. That is an average yearly increase of just over 5%. Keeping in mind that 2/3's or more of that cost is to pay for personnel we can understand why the costs continue to grow. These LTC insurance plans can also provide benefits for home care, assisted living facility care and in most cases any other kind of care approved by the individual, his or her doctor and the insurance company. These alternate methods of care can often delay or even eliminate admission to a nursing home.

Major decisions to be made when purchasing long term care insurance are the maximum dollar amount of benefits, the inflation protection and the elimination period. If you were to purchase a plan to provide for three years of protection at the 2009 cost of \$179.27 per day or \$56,160 per year you would purchase a maximum dollar amount of \$195,480 with a 5% inflation protector. With a 30-day elimination period you would be responsible for paying the first 30 days of care and then the insurance plan would start paying. In the event that your daily costs are less because you start with home care or assisted living, then your pot of money will last longer than three years. Most plans provide that your premiums will be waived while you are drawing benefits.

With a 5% compound inflation protector the pot of money would grow to \$303,253.59 or \$276.94 per day by the tenth year of coverage. If nursing home costs continue to inflate at an average of 5% per year, this plan would still be adequate in all future years.

Other options include 3% or consumer price indexing, simple instead of compound inflation and 0 day, 90 day or even more days of elimination periods. Shared care plans permits two people to own individual plans with the option to share benefits of both plans once your own plan has paid out its maximum benefit amount. Maximum benefits can also be for one year up to unlimited benefits.

Individuals without LTC insurance pay for these costs with personal savings, however if the stay becomes lengthy they soon run out of money and go on to Medicaid. Another option considered is Medicare, however it is a health insurance plan and only pays as long as a person's condition is medically treatable and they continue to make improvement. The Medicare rules are very stringent and do not cover extended stays. Others rely on family members to provide the care at minimal cost. This works to a limited extent if there is a spouse present, however the care burden on the spouse often causes their health to fail.

We believe that this credit will make it more affordable for individuals to purchase LTC insurance plans, resulting in more long term care costs being paid from insurance and thereby slowing the growth of the Medicaid budget. It will also discourage people from transferring their assets in order to make themselves eligible for Medicaid. This credit is a small investment now to save many more Medicaid dollars in the future.

We urge you to give a "DO PASS" recommendation for HB 1209, encouraging and assisting more people to purchase LTC insurance, thereby making it possible to pay more of those costs from private insurance and reducing the burden on the Medicaid budget. North Dakotans are proud people who prefer to take care of their own needs and this bill will make it possible for more of them to do that.

Thank you for your time and consideration. I would be happy to answer any questions you might have.

#2

TESTIMONY - PROTECTION AND ADVOCACY PROJECT  
HOUSE BILL 1209 (2009)  
SENATE FINANCE AND TAXATION COMMITTEE  
Honorable Dwight Cook, Chairman  
February 25, 2009

Chairman Cook, and members of the Senate Finance and Taxation Committee, I am Bruce Murry, a lawyer with the North Dakota Protection and Advocacy Project (P&A). P&A is a state agency advocating for North Dakotans with disabilities. P&A supports HB 1209.

P&A advocates for North Dakotans to make informed decisions about how they receive privately or publicly funded care. P&A agrees that the exercise of personal responsibility and planning increases personal liberty in the future. This bill will help people now wavering in their decisions to proactively prepare for their future needs.

Personally, as a couple aged 40 and 39, my wife and I have decided to wait at least 5 years to purchase long term care insurance. This tax credit would probably cause us to reconsider that delay.

P&A agrees financing long term care should first fall to individual responsibility. However, our State makes substantial investments in care for people who cannot or do not do this themselves. As such, a tax credit is a less intrusive and more effective way for the State to expend those resources.

Thank you for your consideration.

#3

HOUSE BILL NO. 1209

**Presented by:** Michael L. Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** Senate Finance and Taxation Committee  
Senator Dwight Cook, Chairman

**Date:** February 25, 2009

**North Dakota Long-Term Care Insurance Partnership Program**  
**Certified Companies**

The following companies have been certified by the Insurance Commissioner as having products that qualify for the Long-Term Care Insurance Partnership Program as of February 25, 2009. These companies offer at least one qualifying long-term care insurance product.

<b><u>Company</u></b>	<b><u>Date of Certification</u></b>
Assurity Life Insurance Company	02/05/08
Bankers Life and Casualty	01/14/08
Equitable Life and Casualty	11/15/07
Genworth Life Insurance Company	01/17/08
Great American Life Insurance Company	10/15/07
John Hancock Life Insurance Company	10/15/07
Massachusetts Mutual Life Insurance Company	10/22/08
MedAmerica Insurance Company	09/04/07
Metropolitan Life	09/21/07
Minnesota Life Insurance Company	02/05/08
Mutual of Omaha	09/21/07
New York Life	11/30/07
Northwestern Long-Term Care Insurance Company	05/13/08
Penn Treaty Network America	03/04/08
Prudential Insurance Company of America	10/03/07
State Farm Mutual Automobile Insurance Company	07/18/08
Transamerica Life Insurance Company	05/19/08
United of Omaha	09/21/07

#4

## HOUSE BILL NO. 1209

**Presented by:** Michael L. Fix  
Director of the Life and Health Division and Actuary  
North Dakota Insurance Department

**Before:** Senate Finance and Taxation Committee  
Senator Dwight Cook, Chairman

**Date:** February 25, 2009

*Not exhibit  
#5  
was same  
as given  
to the  
House  
on Jan 14, 2009*

**North Dakota Long-Term Care Insurance Partnership Program**  
**Sales Information**

The North Dakota Long-Term Care Partnership Program became effective for qualifying long-term care insurance policies issued on or after January 1, 2007.

The Insurance Department surveyed the companies that have been certified by the Insurance Commissioner as having qualifying long-term care insurance policies to determine the total level of sales and the level of sales for qualifying policies.

To date, the information obtained from the companies who have responded includes:

**Total Long-Term Care Insurance Sales**

	<u>2007</u>	<u>2008</u>
Number of policies	1,920	1,805
Annual premium	\$3,199,100	\$3,112,082
Average annual premium per policy	\$1,666	\$1,724

**Long-Term Care Insurance Sales  
Qualifying for Partnership Program**

	<u>2007</u>	<u>2008</u>
Number of policies	595	823
Annual premium	\$1,277,211	\$1,715,037
Average annual premium per policy	\$2,146	\$2,084

#6  
TESTIMONY FOR HB 1209

BEFORE THE SENATE FINANCE & TAXATION COMMITTEE

February 25, 2009

Chairman Cook, and members of the Senate Finance and Taxation committee, my name is Jonathan Spilde and I am Marketing Director for SIA Marketing, Inc. We are 30 year nationally recognized experts in Long Term Care insurance education, product development, administration, and distribution—with our home office right here in Bismarck. I come before your committee today in support of HB 1209.

HB 1209 is a bill with no losers – everybody wins. It provides a \$250 tax credit for people owning a Partnership Long Term Care policy. Partnership policies provide “dollar for dollar” asset disregard to policyholders who exhaust policy benefits and need to turn to the state for Medicaid. HB 1209 is a win-win situation: great for the State because data reveals that Medicaid almost never enters the picture when people are insured; and great security for the policyholder, who sees the LTC Partnership as a “safety net”. For example: if you have \$500,000 in assets, you might consider buying \$500,000 in LTC benefits. Should you run through that policy, then and only then do you turn to Medicaid – but the protection of your \$500,000...your farm, your assets, your estate are protected. ***Our State definitely wants citizens owning Partnership LTC insurance!***

What about the fiscal note? We’ve got \$1.5 million on the table which works out to be 6,000 tax credits of \$250 each. 40% of us in this room today – 2 in every five- chance needing Assisted Living, Home Health Care, or the Nursing Home at some point. Without insurance, the \$65,000/yr. average facility cost of care first depletes any personal assets and then quickly moves to Medicaid for most people. The choice between budgeting for \$250/yr. vs. \$65,000/yr. is a clear one, and that’s really what this boils down to. That’s your long term return on investment.

But wait, it gets better. Of immediate impact to the Fiscal Note is the fact that—based on ND averages--Premium Tax collected on these policies will effectively

return 16% of the \$1.5 million....making this aspect your immediate return on investment!

This bill is so much more than just another tax credit. It represents a solid, proactive strategy to shifting the lion's share of long term care financing away from Medicaid and over to private insurance. You want private LTC insurance paying the bills for our citizens whenever possible, so Medicaid can continue to be there for those who truly need those funds. This credit dovetails beautifully with the joint Federal/State "Own Your Future" campaign, and the ND Long Term Care Partnership program. Each piece is a vital part of the engine that—when fully assembled—will allow our State to consider future Medicaid budgets by design rather than default.

In closing, I ask you to remember that the State doesn't make the \$250 investment unless a citizen keeps their part of the bargain by purchasing and maintaining LTC insurance. The ideal tax credit is one that influences desirable action while it saves the State money. HB 1209 does exactly that. Simply put—North Dakotans who are insured for the cost of LTC do not need to apply to Medicaid. This is a win-win situation – and I think you'll agree there are few initiatives that pay their own way as clearly as does HB 1209!

P.O. Box 5010  
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Email: [info@naifa-nd.org](mailto:info@naifa-nd.org)

**TESTIMONY SUPPORTING HB 1209**  
**March 5<sup>th</sup>, 2009**  
**9:30 a.m.**

**SENATE APPROPRIATIONS COMMITTEE**  
**RAY HOLMBERG, CHAIR**

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Norbert Mayer, I represent the members of the North Dakota Association of Insurance and Financial Advisors, and we ask for your support of HB 1209. I will give you an overview of the bill and its purpose.

This bill would provide a tax credit, dollar for dollar up to \$250.00 for each individual paying premiums on a partnership qualified Long Term Care plan purchased on or after January 1, 2007. This date coincides with the approval date of the ND Medicaid Partnership Plan and allowed us to come up with a reasonably accurate fiscal note. The question is raised as to why not all long term care plans are included? This plan is to encourage more people to purchase long term care insurance so that in the future more people will be able to pay their own way, thereby saving Medicaid dollars. Will this cause those who now have long term care insurance to replace it with new insurance? The answer is not very likely, because the new plan would be issued at their current attained age, and in all likelihood the premium would increase by more than the \$250.00 credit allowance.

The credit would be available on the ND 1 (short) Tax Form. We now have a \$100.00 credit on the ND 2 (long) Tax Form, however very few individuals file that form and therefore the credit goes largely unused.



This tax credit is to encourage and assist more North Dakotans to purchase insurance to help pay for their long term care. This care requires a lot of personal attention and therefore is very expensive. Information from the ND Department of Human Services indicated that in 2005 the average cost of Nursing Home care was 144.48 per day, or \$4,395.00 per month. Those same costs for 2009 are 179.27 per day or \$5,453.00 per month. This amounts to \$65,160 per year. That is an average yearly increase of just over 5%. These LTC insurance plans can also provide benefits for home care, assisted living facility care and in most cases any other kind of care approved by the individual, his or her doctor and the insurance company.

If a 50 year old purchases a plan to cover the current cost of \$180 per day for 3 years with a 5%, compound inflation protection rider and assuming this person starts using it for nursing home care in 25 years or at age 75, the \$250 tax credit over 25 years will amount to \$6,250 of lost state revenue. Assuming a 5% annual increase in costs, the daily cost for that person would then be \$581. That \$6,250 of lost revenue would be recovered in only eleven days.

We believe that this credit will make it more affordable for individuals to purchase LTC insurance plans, resulting in more long term care costs being paid from insurance and thereby slowing the growth of the Medicaid budget. It will also discourage people from transferring their assets in order to make themselves eligible for Medicaid. This credit is a small investment now to save many more Medicaid dollars in the future.

We urge you to give a "DO PASS" recommendation for HB 1209, encouraging and assisting more people to purchase LTC insurance, thereby making it possible to pay more of those costs from private insurance and reducing the burden on the Medicaid budget.

Thank you for your time and consideration. I would be happy to answer any questions you might have.

TESTIMONY – PROTECTION AND ADVOCACY PROJECT  
HOUSE BILL 1209 (2009)  
SENATE APPROPRIATIONS COMMITTEE  
Honorable Ray Holmberg, Chairman  
March 5, 2009

Chairman Holmberg, and members of the Senate Appropriations Committee, I am Bruce Murry, a lawyer with the North Dakota Protection and Advocacy Project (P&A). P&A is a state agency advocating for North Dakotans with disabilities. P&A supports HB 1209.

P&A advocates for North Dakotans to make informed decisions about how they receive privately or publicly funded care. P&A agrees that the exercise of personal responsibility and planning increases personal liberty in the future. This bill will help people now wavering in their decisions to proactively prepare for their future needs. This should reduce public contributions to long term care costs in the future.

Personally, as a couple aged 40 and 39, my wife and I have decided to wait at least 5 years to purchase long term care insurance. This tax credit would probably cause us to reconsider that delay.

Thank you for your consideration.

4

TESTIMONY FOR HB 1209

BEFORE THE SENATE FINANCE & TAXATION COMMITTEE

March 5, 2009

Mr. Chairman and members of the Senate Appropriations committee, my name is Jonathan Spilde and I am Marketing Director for SIA Marketing, Inc. We are 30 year nationally recognized experts in Long Term Care insurance education, product development, administration, and distribution—with our home office right here in Bismarck. I come before your committee today in support of HB 1209.

The purpose of the bill, along with how it dovetails with the ND LTC Partnership program, has already been well described. The point I wish to make is that HB 1209 is a bill with no losers – everybody wins. ***Our State definitely wants citizens owning Partnership LTC insurance!***

The fiscal note of \$1.5 million works out to be 6,000 tax credits of \$250 each. I believe this note is more properly viewed as an investment—with a corresponding return on investment—rather than an expense. When analyzing this note as such, it's important to remember that 40% of us in this room today – 2 in every five – chance needing Assisted Living, Home Health Care, or the Nursing Home at some point. Without insurance, the \$65,000/yr. average facility cost of care first depletes any personal assets and then quickly moves to Medicaid for most people. The choice between budgeting for \$250/yr. vs. \$65,000/yr. is a clear one, and that's really what this boils down to. That's your *long term return on investment*.

And there's more! Of immediate impact to the Fiscal Note is the fact that—based on ND premium averages—Premium Tax collected on these policies will effectively return 16% of the \$1.5 million....making this aspect your *immediate return on investment!*

This bill is so much more than just another tax credit. *It represents a solid, proactive strategy of shifting the lion's share of long term care financing away from Medicaid and over to private insurance.* You want private LTC insurance paying the bills for our citizens whenever possible, so Medicaid can continue to be there for those who absolutely depend on those funds.

In closing, I ask you to remember that **the State doesn't make the \$250 investment unless a citizen keeps their part of the bargain by purchasing and maintaining LTC insurance.** *The ideal tax credit is one that influences desirable action while it saves the State money.* HB 1209 does exactly that. Simply put—North Dakotans who are insured for the cost of LTC, do not need to apply to Medicaid. This is a win-win situation – and I think you'll agree *there are few initiatives that pay their own way as clearly as does HB 1209!*