

Long-Term Care Insurance Incentive Legislation **Introduced In Congress**

Long-term care insurance has seen a resurgence in popularity since the introduction of partnership policies created under the Qualified State Long Term Care Partnership program. This program was introduced on the national level as part of the Deficit Reduction Act in 2005 and Pennsylvania came on board in July, 2007. In short, if you purchase a partnership policy, you receive dollar for dollar asset protection in the event you need Medicaid assistance. Thus, for every insurance dollar you spend on skilled nursing care, you receive the same in *asset protection* which extends to Medicaid estate recovery. To date, it is one of the most effective Medicaid planning tools available if you are not in crisis planning.

As a further incentive, there is a bill in Congress awaiting signature which will provide certain tax benefits in an effort to further encourage people to purchase long-term care insurance. To date, the law excludes long-term care insurance from being included in “cafeteria plans” and “FSA” (flexible spending account) plans. In short, a cafeteria plan will allow employee contributions to benefits such as life insurance and disability insurance to be deducted from their *pre-tax salary*. Similarly, with FSA plans, employees can exclude amounts covering certain expenditures related to health, dental and daycare. As with cafeteria plans, these amounts are deducted from their salary *pre-tax*. **The proposed legislation will allow contributions to long-term care insurance to be deducted pre-tax as well.**



In addition, the legislation also requires more consumer protections as set forth in the National Association of Insurance Commissioners Long-Term Care Insurance Model Act and Regulations. Among the protections afforded by the Act are inflation protections and comprehensive care inclusion (not limited to skilled nursing care).

Given the current administrations’ efforts to reform the health care system, in particular Medicare and Medicaid, innovative solutions that afford consumers asset protection while saving federal and state expenditures is welcome. I believe that the qualified partnership program and the current house bill H.R. 2096 are steps in the right direction. Look for an article to follow-up on the outcome of the bill.