

Long-Term Care Executive Summary

September 2015

The National Association of Health Underwriters (NAHU) is the leading professional trade association for health insurance agents, brokers and consultants, and represents more than 100,000 benefit specialists nationally. Our members work on a daily basis to help millions of individuals and employers purchase, administer and utilize health insurance coverage. Many members also provide long term care insurance (LTCi) solutions to their clients.

The long term care system in the United States faces significant challenges as it prepares for an increasingly aging society. The number of people over the age of 60 is growing rapidly and as many as seven in 10 individuals will require long term services and supports (LTSS) to manage their condition. However, many incorrectly believe they are already covered under their private health insurance or Medicare, when neither is true. Without LTCi, individuals can quickly spend down a lifetime of savings and then have to rely on family caregivers, or turn to Medicaid, which is intended to provide limited coverage for the destitute. Given the lack of financial preparedness for the potential future need for LTSS, individuals, employers and policy-makers need to find solutions to an increasingly growing problem as the population ages.

NAHU recommends the following to respond to these challenges:

- **Protect Medicaid for the truly needy.** This can be done by encouraging the use of LTC Partnership Programs, closing loopholes to access Medicaid, and encouraging the use of reverse mortgages. Implementing programs to help consumers to adequately prepare for their own needs will decrease the likelihood of needing to rely on Medicaid, thus preserving it for the truly needy and extending the program's lifetime.
- **Allow tax-free withdrawals from 401(k), 403(b) and IRA accounts for the purposes of purchasing LTCi.** Currently, early withdrawals come with a 10% tax, which discourages individuals from using these funds to purchase insurance. Implementing a change so withdrawals to buy LTCi are tax-exempt and eliminating the early withdrawal penalties will help to encourage Americans to plan for their future needs. This will reduce the likelihood of the individual from later turning to public support.
- **Add LTCi to the types of benefits that can be purchased through IRS Section 125 plans,** which is currently prohibited under federal law. Doing this will send a signal to employees about the importance of the benefit while the pre-tax treatment makes the product more affordable. Employers should also be encouraged to contribute to worksite-based LTCi benefit plans, which will both make the plan more affordable and underscore its importance.

Educating Americans about the potential need for LTSS, their role in providing for care, what care is currently covered under existing programs, and the value of purchasing LTCi as part of an overall retirement strategy is very important. Then too, implementing incentives to participate as early as possible will help to stave off potential financial ruin. In this effort, NAHU members are qualified and prepared to offer the necessary guidance and assistance for individuals to prepare for and enroll in LTCi coverage.

Encouraging more Americans to participate in LTCi through the full implementation of these recommendations will help lead to a more vital, competitive, healthy, stable and diverse LTCi marketplace. Not only will this provide financial security for individuals finding themselves with a long term chronic conditions or extensive frailties, but it also means Medicaid will not have to jump in to cover the remainder of the expenses, thus prolonging the program for future generations.