

# The Council for Affordable Health Insurance



September 15, 2005

The Honorable George Allen  
U.S. Senate  
204 Russell Senate Office Building  
Washington, D.C. 20510

Dear Sen. Allen:

On behalf of the Council for Affordable Health Insurance (CAHI) we are writing to express our strong support for the S.1706, the Long-Term Care Act of 2005. CAHI was organized in 1992 as a research and advocacy organization devoted to positive, market-based health care reforms that preserve freedom of choice for individuals and encourage a competitive health insurance market. CAHI companies are active in the individual, small group, Health Savings Account and senior markets.

The Long-Term Care Act is similar to companion legislation, H.R. 976 introduced in the House by Rep. Lee Terry. S.1706 would allow individuals to use their 401(k) and 403(b) plans to purchase long-term care insurance (LTCI) with pretax dollars without penalty. H.R. 976 would also allow individuals to use their Individual Retirement Accounts (IRAs) with pretax dollars without penalty in addition to using their 401(k) and 403(b) plans.

Many people put off buying LTCI until it is too late or too expensive. The key is to buy coverage at younger ages when premiums are quite affordable. Yet, most "non-buyers" today claim that if LTCI could be purchased with tax incentives they would seriously consider buying this much needed protection. By giving Americans the incentives to purchase LTCI, Congress can help millions of families protect their retirement and financial security.

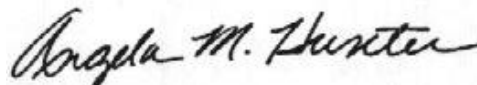
America is rapidly approaching perfect-storm conditions for long-term care financing. Life expectancy continues to increase, and baby boomers will soon begin turning 65 in 2010. As 77 million baby boomers retire, the 65+ population will double. It is estimated that at least 40 percent of Americans 65 and older will require long-term care services. Medicare covers only 14 percent of long-term care expenditures, and they are not usually covered by traditional health insurance. By the year 2030, Medicaid's nursing home expenditures are expected to reach over \$130 billion a year. Private LTCI could reduce Medicaid's future institutional care expenses by more than \$40 billion each year, while giving insured people many more alternatives to nursing homes, such as home care, adult day care, foster care and assisted living.

The Long-Term Care Act is a win-win solution. Many Americans are saving for their retirement through 401(k) and 403(b) plans. Allowing taxpayers to use funds from these plans to buy LTCI can encourage its purchase at younger ages, when premiums are more affordable, provide an attractive motivation for consumers to take personal responsibility for their long term care needs and reduce the crushing Medicaid costs on future taxpayers. We commend the sponsors of this legislation and pledge our support in working for its enactment.

Sincerely,



Merrill Matthews  
Director



Angela M. Hunter  
Director of Federal Affairs

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