



H.R. 4502, The Long Term Care Act
Remarks by Angie Hunter, Director of Federal Affairs
before the Conservative Staff Meeting
House of Representatives' Republican Study Committee
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Thank you for inviting me here today to speak about H.R. 4502, The Long Term Care Act introduced by Rep. Lee Terry. Thanks also to Perry Pirsch who has been instrumental in work on this legislation.

It really is a pleasure to talk about this common sense, forward looking legislation.

The Long Term Care Act is really elegantly simple and short – all of three pages. It simply allows individuals to use their Individual Retirement Accounts (IRAs), 401(k) and 403(b) plans to purchase long-term care insurance with pretax dollars, without penalty.

Most Americans with retirement savings have an IRA, or 401(k). In 2002, 43.2 million Americans had more than 2.33 trillion in IRAs.

Why is H.R. 4502 a good idea that deserves your support?

We are quickly approaching perfect-storm conditions for long-term care financing.

- Life expectancy continues to increase
- Baby boomers will begin turning 65 in 2010 – by 2030 all 77 million baby boomers will have reached retirement age and the 65+ population will double
- **RECENT HISTORY**
- Total Medicaid expenditures for LTC increased 173% between 1990 and 2001
- The number of nursing home residents using Medicare as their primary source of payment increased more than tenfold between 1985 and 2000
- In 2000, \$24.8 billion of the \$31 billion out-of-pocket payments for LTC services were for nursing home care (80%)
- **TODAY**
- 70% of LTC costs are spent on nursing home care
- The average cost of nursing home care is \$178 per day, \$60,000 per year
- Almost ¾ of nursing home care is publicly funded: Medicaid – 58.7%, Medicare – 14.7%
- 56% of nursing home residents who enter a nursing home private pay patients end up exhausting their fund and must rely on Medicaid to pay for their care

- While the elderly and disabled make-up one-third of Medicaid enrollees, they account for more than 2/3 of Medicaid expenditures
- Only 6% of Americans own a long-term care policy
- Purchasing LTC insurance at age 65 is about twice as expensive as purchasing it age 55

For most taxpayers, LTC expenses are tax deductible like any other medical expense; a taxpayer must itemize and health expenses must meet or exceed 7.5% of his or her adjusted gross income.

How many have LTC insurance?

If so can you deduct the expense – I can't.

We need to encourage people to take responsibility today for the purchase of LTC insurance. Not to do so will result in an increased and unsustainable financial burden on the federal government and taxpayers.

The Long Term Care Act would allow people to use their retirement savings to pay for full retirement security – by insuring their long term care costs.

To sum up –

Our country is heading towards a demographic melt down on long term care costs. It is simply unsustainable for individuals and the government.

Long term care insurance is relatively inexpensive if purchased early.

Most people have retirement savings in an IRA, 401(k) and 403(b) plans. By enacting the Long Term Care act it will positively motivate individuals to take care of their long term health care needs, rather than waiting when it is unaffordable, or for the government or other family members to assume the responsibility.

Many people don't realize the need for this security – I would like to close by reading a testimonial sent to me by an LTC insurance agent supporting the Long Term Care Act (Osgood letter).

Encourage your boss, if they have not already done so – to cosponsor H.R. 4502.