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Insight on the Issues

# Disrupting the Marketplace: The State of Private Long-Term Care Insurance, 2018 Update

Kathleen Ujvari
*AARP Public Policy Institute*

**Everyone faces a risk, but not a certainty, of needing long-term services and supports (LTSS)–that is, assistance with basic life functions, such as bathing, eating, and dressing. On average, someone turning 65 today will incur $138,000 in future LTSS costs in their lifetime. Private long-term care insurance continues to play a limited but important role in financing LTSS, and the industry is undergoing significant transformation.**

According to current estimates, by 2020, roughly 12 million older adults in the United States will need long-term services and supports (LTSS)—that is, assistance with basic life functions, such as eating, dressing, and bathing.[1] Yet the high cost of LTSS is unaffordable for most Americans in every state. A nursing home stay in the United States in 2017 cost approximately $97,452 per year on average and would consume 231 percent of an older middle-income family's income. In 10 states, nursing home private-pay/out-of-pocket costs exceeded $125,000. The median rate of a private one-bedroom unit in an assisted living facility was $45,000 per year in 2017, more than the entire income (107 percent) of the typical older family, while adult day services averaged $70 per day ($18,200 annually). During the same period, hourly home-care agency rates averaged $21.50 ($33,540 annually assuming 30 hours of care per week) for a licensed non–Medicare certified home health aide and would consume more than three-quarters (80 percent) of the median income of older households (see table 1).[2]

**Long-term care insurance (LTCI)** can play a role in financing one's LTSS needs. Several factors, however—such as the high cost and complexity of LTCI, the common but mistaken belief that Medicare or supplemental Medigap insurance covers LTSS, and concerns about rising premiums—are affecting consumer demand for this product. This report examines the LTCI landscape, including level of penetration in the marketplace in light of the aging population.

AARP Real Possibilities

TABLE 1
**Private-Pay Cost of Long-Term Services and Supports**

| Type of Service | National Median Annual Rate, 2017 | Median Annual Cost of Care as a Percentage of Median Income for Households Ages 65+ |
|---|---|---|
| Nursing Home (Private Room) | $97,452 | 231% |
| Assisted Living (Private One-Bedroom Unit) | $45,000 | 107% |
| Adult Day Health Care | $18,200 (Based on 5 days per week) | 43% |
| Homemaker Services | $33,540 (Based on 30 hours a week) | 80% |

*Source: Genworth Financial Inc.,* Genworth 2017 Cost of Care Survey Conducted by CareScout® *(Richmond, VA: Genworth Financial Inc., June 2017), https://www.genworth.com/about-us/industry-expertise/cost-of-care.html; US Census Bureau, 2016.*

## A GLIMPSE AT LTCI'S PENETRATION AND EFFICACY

As of 2015, only 7.5 million people (roughly 1 in 20 people ages 40 and older) in the United States had either private traditional or hybrid LTCI policies.[3] Traditional LTCI paid for only 11 percent of total LTSS costs in the United States,[4,5] despite being available since the late 1970s. Although 96 percent of in-force LTCI policies (those that are paid up and active) include coverage for nursing home, assisted living, and in-home care services, most LTSS recipients do not have LTCI.

Nevertheless, the number of individuals who are submitting claims to access their LTCI benefits is increasing. In 2017, 295,000 people received LTCI benefits, up from 264,000 in 2012, representing a 12 percent increase.[6] LTCI carriers paid $9.2 billion in claim benefits, up from $6.6 billion in 2012, a 39 percent increase.[7] One study projects LTCI claims could reach $34 billion by 2032,[8] the year that baby boomers begin turning age 85.

## LONG-TERM CARE INSURANCE POLICY OPTIONS

The LTCI industry has experienced significant challenges and is undergoing major transformation. Three types of LTCI products are currently available: traditional, short-term care (also known as short-duration LTCI, limited LTCI, and recovery care insurance), and hybrid policies. Traditional stand-alone LTCI policies reimburse the insured for long-term care expenses up to a fixed benefit amount and duration. A traditional policy, for example, might reimburse an individual $150 to $200 per day with a duration of 1 to 3 years or more. Short-term care insurance policies, on the other hand, have a short duration and offer benefits up to 1 year. Policies will either reimburse for qualifying costs of long-term care or pay a fixed dollar amount per day.[9] For example, a policy might pay a daily benefit of $100–$200 per day for 90 days.[10] Finally, hybrid products link LTCI with an annuity or life insurance using a long-term care or chronic illness rider.[11]

## WHO BUYS LONG-TERM CARE INSURANCE?

In 2015, the typical purchaser of traditional LTCI products was age 60 and had fairly substantial income and assets. More than half (61 percent) of purchasers had incomes over $75,000 per year, and 82 percent had more than $100,000 in liquid assets. By comparison, only 43 percent of the general population ages 50 and older had liquid assets in excess of $100,000.[12] In the short-term care insurance market, the majority of purchasers (45 percent) were ages 61–70, followed by purchasers ages 71–80 (37 percent).[13] The typical person purchasing short-term care insurance is 65–74 years old and has a net worth of less than

$500,000.[14] Age and net worth data are not readily available for the typical purchaser of hybrid LTCI products because optional LTCI riders can be linked to either life insurance or annuity products, both of which appeal to different target markets. Age and net worth can vary by type of insurance and annuity product.

## THE COSTS AND BENEFITS OF LONG-TERM CARE INSURANCE

### Costs

The high cost of LTCI continues to be the main reason that most people give for not purchasing coverage.[15] Consumers are responding to the higher cost of LTCI by electing shorter benefit durations of 1–3 years and opting for less inflation protection to lower overall premiums.[16] In 2015, the average duration of LTCI policies fell to just 4 years (down from 5.5 years in 2000).[17] In addition, due to the lower cost of short-term care insurance, options to purchase these more affordable insurance products are on the rise in many states. Factors that affect LTCI policy premiums include the individual's age at time of purchase, the amount and duration of coverage, the length of any waiting or elimination period before benefits are paid (typically 90 days for traditional LTCI policies and 0–15 and 30 days for short-term care policies), the stringency of benefit triggers (medical, physical, or cognitive conditions that must occur before you can start to receive benefits), whether policyholders can retain a partial benefit if they let their policy lapse for any reason such as the inability to pay (nonforfeiture benefit), whether the policy's benefits are adjusted for inflation, and death and lapse rate actuarial assumptions.

Table 2 shows the average annual premium by age range at time of purchase for traditional stand-alone policies sold in 2015. Table 3 identifies the average annualized premiums for short-term care insurance policies sold in 2016 for two age groups. Average annual premium information is not available for hybrid policies because premiums are based in part on the policy rider, type of underlying insurance product (e.g., whole life, variable life, fixed and variable annuity), and face amount or death benefit of the policy.

TABLE 2
**Traditional, Stand-Alone Long-Term Care Insurance, Average Annual Age-Based Premiums, 2015**

| Age | Premium |
|---|---|
| 55–64 | $2,624 |
| 65–69 | $3,255 |
| 70–74 | $3,945 |
| 75 and older | $5,241 |

*Based on a daily benefit of $161 (nursing home care) and $155 (home-based care), 4-year benefit coverage period, and roughly a 90-day waiting period.*

*Source: Based on LifePlans Inc., analysis of data from studies of policies sold. See LifePlans Inc. for America's Health Insurance Plans,* Who Buys Long-Term Care Insurance? Twenty-Five Years of Study of Buyers and Non-Buyers in 2015-2016 *(Washington, DC: LifePlans Inc., January 2017), https://www.ahip.org/wp-content/uploads/2017/01/LifePlans_LTC_2016_1.5.17.pdf.*

TABLE 3
**Short-Term Care Insurance, Average Annualized Age-Based Premiums, 2016**

| Age | Premium |
|---|---|
| Age 65 | $1,260 |
| Age 70 | $1,680 |

*Premium information is based on short-term care insurance policy data from the National Advisory Center for Short-Term Care Information for policies having a $150 daily benefit, 360-day benefit coverage period, and 30-day waiting period.*

*Source: American Association for Long-Term Care Insurance analysis of data from a short-term care insurance study as reported in an information guide available on the American Association for Long-Term Care Insurance, National Advisory Center for Short-Term Care Information website, at http://www.aaltci.org/short-term-care-insurance/.*

**Benefits**

To receive benefits under any type of LTCI, including short-term care insurance, policyholders must meet the policy's disability criteria. Most policies define disability as either severe cognitive impairment or the need for help in performing at least two activities of daily living, such as bathing and dressing.

Sixty-eight percent of new claims in 2014 were for people ages 80 and over, and 64 percent were paid to women, according to claims data from four leading insurance carriers.[18] Seventy-two percent of these claims paid for care at home or in an assisted living facility. The remaining claims covered care in a nursing home. The policies had, on average, a daily benefit amount of $155 for home-based care and $161 for nursing home care, 4 years of coverage, and about a 90-day waiting period. In 2015, 60 percent of insureds elected home health and nursing home care durations of 1–3 years. Roughly two-thirds of policies sold had automatic compound inflation protection,[19] which means that the value of the insurance benefit increases each year by a set rate (e.g., 3 percent or 5 percent annually). Automatic compound insurance protection helps insurance benefits keep up with the rising cost of long-term care. For example, an LTCI policy with a 3 percent automatic inflation protection rider and a daily insurance benefit of $150 in 2018 would have a daily insurance benefit of $202 after 10 years.

## PREMIUM RATE STABILITY

An important issue for consumers is whether premiums will increase beyond what they can afford. Private LTCI is priced differently from most other types of insurance. While health and life insurance policy premiums generally increase as the policyholder ages, most LTCI policies offer the purchaser a level premium that will not increase as a result of individual circumstances, such as age or health condition. Insurance companies selling traditional LTCI can, however, increase premiums for entire *classes* of individuals (e.g., all policyholders ages 75 or older) based on their experience in paying benefits.

Premium stability depends largely on the accuracy of insurers' predictions regarding the cost and number of future claims, the return on investment income, and the number of people who will allow their policies to lapse. If insurers miscalculate or if returns on investments are lower than expected, premiums may need to be increased in order to pay claims. According to the American Association for Long-Term Care Insurance, every 1 percent decline in long-term interest rates or investment return could lead to a 10–15 percent increase in LTCI premiums.[20] Conversely, when long-term interest rates rise, this could result in a decline in LTCI premiums.[21]

With longer life expectancies, the rising cost of long-term care, lower-than-anticipated lapse rates, and persistently low interest rates since the start of the Great Recession in 2007, many insurance carriers increased premiums to offset the decline in earnings needed to pay long-term care claims. Many policyholders have been affected by premium increases, including federal employees, who were subject to an average increase of 83 percent in 2016.[22]

Those increases came in spite of the National Association of Insurance Commissioners (NAIC) adopting standards in 2000 designed to help protect consumers from excessive or unjustifiable premium increases. States need to adopt those standards individually, however, so adoption has been a gradual process. In 2014, NAIC updated the standards to improve the rate stabilization provisions.[23]

As of April 2018, 40 states have adopted the August 2000 NAIC Model rate stability regulation and 5 states (Illinois, Maryland, New Hampshire, Oregon, and Virginia) have adopted the NAIC 2014 rate stabilization amendment, with another 6 states either planning or considering adoption (see table 4).[24,25]

## INFLATION PROTECTION

Inflation protection is another important policy feature because the cost of long-term care has increased significantly over time. An individual who purchases LTCI in his or her 60s may not need benefits for 20 or more years. Without inflation protection, the value of the insurance benefits is likely to erode.

TABLE 4
**States That Adopted NAIC Long-Term Care Insurance Premium Rate Stability Provisions, 2018**

| | | | | |
|---|---|---|---|---|
| Alabama | Illinois⁺ | Minnesota | North Dakota | Tennessee |
| Arizona* | Iowa | Missouri | Ohio | Texas* |
| California | Kansas | Montana | Oklahoma | Utah |
| Colorado | Kentucky | Nevada | Oregon⁺ | Vermont |
| Florida* | Louisiana* | New Hampshire⁺ | Pennsylvania | Virginia⁺ |
| Georgia | Maine* | New Jersey | Rhode Island* | Washington |
| Hawaii | Maryland⁺ | New Mexico | South Carolina | West Virginia |
| Idaho | Michigan | North Carolina | South Dakota | Wisconsin |

** State has not adopted the NAIC 2014 rate stabilization amendments to Model 641 but is planning or considering adoption.*

*⁺ State has adopted the NAIC 2014 rate stabilization amendments to Model 641.*

*Source: National Association of Insurance Commissioners, November 2016 Unpublished Survey of State Long-Term Care Rating Regulations & Practices and April 2018 independent research conducted by AARP Library & Strategic Services.*

Different types of inflation protection riders are available, including fixed annual 3 or 5 percent (simple or compound) benefit increases or an option that is based on annual changes in the US Bureau of Labor and Statistics Consumer Price Index (CPI). The CPI tracks changes in the cost of a representative selection of consumer goods and services, including food, housing, transportation, and medical care. It is a widely used measure of the US inflation rate. In 2015, two of every three LTCI purchasers added inflation protection to their policy, down from three out of every four in 2010.[26] Roughly half of all LTCI purchasers buy 3 percent compound inflation protection.[27]

Given that the cost of long-term care has historically outpaced the overall rate of inflation, a 5 percent automatic, compounded adjustment can provide the greatest protection; however, it is often the most expensive.[28] Even at this level, a policy is likely to cover only 75–80 percent of estimated lifetime nursing home costs, which average close to $100,000 per year. With home care and assisted living costs being lower than the cost of nursing home care, LTCI coverage with inflation protection helps cover the majority of those costs.[29]

Even though inflation protection increases the cost of a policy, consumers across different income levels and age groups continue to purchase the add-on benefit, but they are doing so at a declining rate. For example, in 2015, 71 percent of buyers with incomes of $75,000 or more purchased inflation protection (down from 79 percent in 2010), while only 34 percent of buyers with incomes below $25,000 did so (down from 38 percent in 2010). Buyers ages 55–64 were more likely to purchase inflation protection (73 percent, down from 82 percent in 2010) than older buyers; only 24 percent of buyers ages 75 and over purchased inflation protection.[30]

Another option for addressing cost increases is the future purchase option (FPO), also known as a guaranteed purchase option. With an FPO, policyholders can elect to periodically increase their LTCI coverage (e.g., every two years based on changes in the CPI) without having to undergo additional medical underwriting. However, premiums on the additional coverage will be based on the policyholder's age at the time additional coverage is purchased. Some insurance carriers will limit the number of times (e.g., two or three times) that a policyholder can opt out of an FPO offer to increase coverage benefits.[31] While initial premiums for an FPO are much lower than a policy with automatic inflation protection, the premiums will grow substantially higher if the policyholder elects to increase coverage. If the policyholder declines to increase coverage, his or her benefits may not keep pace with the rising cost of services.

### LAPSE RATES

From 2008 through 2011, almost 11 percent of all buyers let their policies lapse during the first year of purchase.[32] Substantially higher lapses existed for policies with lower daily and lifetime maximum benefits. For example, 12 percent of traditional LTCI policies with a lifetime maximum benefit under $100,000 lapsed in the first year, compared with less than 6 percent of policies with a lifetime benefit over $250,000.[33] In contrast, lapse rates declined to less than 3 percent during the sixth policy year, followed by a drop to 1.5 percent in later policy years. Voluntary lapse rates in late policy years decreased from 7.6 percent between 1984 and 1999,[34] to 3.8 percent between 2005 and 2007,[35] and to 1.5 percent between 2008 and 2011.[36] This downward trend in LTCI voluntary lapse rates has persisted for more than a decade.

### TAX TREATMENT

Nearly all policies sold today meet the federal standards for favorable tax treatment specified by the Health Insurance Portability and Accountability Act of 1996 (Internal Revenue Code 7702B). Tax-qualified LTCI benefits qualify for favorable federal income tax treatment, which means that if the policy pays only benefits that reimburse the insured for qualified long-term care expenses, the insured will not owe federal income tax on these benefits.[37]

Individuals with qualified LTCI policies can also deduct their premiums up to a maximum limit that increases with age. For example, in 2018 taxpayers ages 40 or younger can deduct $420, whereas taxpayers ages 70+ can deduct up to $5,200.[38] However, to be eligible, the taxpayer must have unreimbursed medical expenses (including Medicare premiums) in excess of 7.5 percent of adjusted gross income—a standard that relatively few taxpayers meet. The federal Tax Cuts and Jobs Act reduces the 10 percent limit to 7.5 percent for 2017 and 2018 only. Beginning January 1, 2019, the 10 percent adjusted gross income threshold will apply to all taxpayers.[39]

Meanwhile, roughly half (23) of states offer either a tax deduction or tax credit as an incentive to purchase LTCI. Examples of state tax incentives include deducting the full cost of premiums paid for qualified LTCI policies, allowing itemized deductions up to the limit permitted for LTCI premiums provided in the federal Internal Revenue Code, and allowing tax credits up to a certain dollar amount or percentage of LTCI premiums paid each year by the individual claiming the tax credit. Tax incentives by state for 2018 are provided in the appendix.

### THE EMERGING MARKET: NEW MODEL ACT AND MODEL REGULATION FOR SHORT-TERM CARE INSURANCE

Options to purchase more affordable short-term care insurance in many states are on the rise. However, data on the number of people with short-term care policies are not currently available, given the relatively new market and limited number of participants, with just 12 insurance carriers offering these products. To date, short-term care policies may not be available in all states.[40] These policies may offer home health, assisted living, nursing home, adult day services, and, in some plans, prescription drug benefits.[41] However, benefits may be limited and may not cover all levels of care. Coverage amounts may also vary by state and insurance carrier, and products may not be subject to the same stringent state regulations that traditional and hybrid products have been required to provide; such products, therefore, may not have the same consumer protections.[42]

Moreover, states are not regulating short-term care insurance products as LTCI, and these products do not meet the requirements for LTCI under the NAIC Long-Term Care Insurance Model Act and Long-Term Care Insurance Model Regulation (Model #641).[43] Responding to this emerging issue, the NAIC Short Duration Long-Term Care Policies (B) Subgroup, part of the Senior Issues (B) Taskforce, has been charged with developing a model to address short-term care insurance policies that are excluded from the Long-Term Care Insurance Model Act and the Long-Term Care Insurance Model Regulation. As of March 7, 2018, the NAIC subgroup has drafted a new Model Act and Model Regulation titled "Limited Long-Term Care Insurance Model Act" and "Limited Long-Term Care Insurance Model Regulation," respectively.[44] Both models are likely to undergo further revision before being finalized.

## CONCLUSION

LTCI can play a role in financing LTSS needs; however, the high cost and complexity of these products and concerns about rising premiums have affected consumer demand. The high out-of-pocket costs of LTSS are unaffordable for most people in every state and, despite what many people believe, Medicare and Medigap insurance do not cover LTSS. Without adequate savings to cover the cost of care, LTSS recipients may have to instead rely on other sources—such as Medicaid coverage or support from unpaid family caregivers—to provide care needs.

The LTCI industry is undergoing a transformation and is responding to consumer concerns by developing products that are more affordable and flexible to meet the coverage needs of consumers. Traditional stand-alone policies are being offered with coverage periods of one to three years or more, while newer short-term care insurance policies offer even shorter coverage periods. Hybrid insurance policies link LTCI with an annuity or life insurance product using a long-term care or chronic illness rider.

This is just the beginning. With 10,000 people in the United States turning age 65 every day and with more people living well into their 80s—an age at which there is considerable demand for LTSS—ongoing and innovative approaches to consumer products that help finance long-term care needs will be needed more than ever.

APPENDIX

**2018 State Tax Deductions and Credits for Long-Term Care Insurance**

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **Alabama** | | | X | | Individuals are allowed an itemized deduction for a qualified long-term care insurance contract to the extent that the amount does not exceed specified limitations. The amounts of the itemized deductions are indexed. Business entities, whether incorporated or not, may deduct long-term care insurance as reasonable compensation expenses. |
| **Alaska** | X | | | | No tax benefits presently |
| **Arizona** | X | | | | No tax benefits presently |
| **Arkansas** | | | | X | A tax deduction is allowed to the limits provided in the Federal Internal Revenue Code. |
| **California** | | | | X | A tax deduction is allowed to the limits provided in the Federal Internal Revenue Code. |
| **Colorado** | | X | | | A tax credit is allowed for the lesser of $150 per policy contract or 25 percent of the premiums paid for long-term care insurance during the tax year for the individual and spouse. The Colorado credit is only applicable to those with federal taxable income of less than $50,000; or for two individuals filing a joint return with a federal taxable income of less than $50,000 if claiming the credit for one policy; or less than $100,000 if claiming the credit for two policies. The policy must meet Colorado's definition of LTCI. |
| **Connecticut** | X | | | | No tax benefits presently |
| **Delaware** | X | | | | No tax benefits presently |
| **District of Columbia** | | | X | | A deduction for long-term care insurance premiums paid annually is allowed from gross income, provided that the tax deduction does not exceed $500 per year per individual. Joint tax filing is allowed. The long-term care policy must meet District of Columbia definitions. |
| **Florida** | X | | | | No tax benefits presently |
| **Georgia** | X | | | | No tax benefits presently |
| **Hawaii** | | | X | | Same as federal tax law, except subject to 7.5 percent of Hawaii adjusted gross income, instead of federal adjusted gross income |

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **Idaho** | | | X | | A tax deduction is allowed for the premium paid by a taxpayer for LTCI that is for the benefit of the taxpayer, a dependent of the taxpayer, or an employee of a taxpayer. The amount can be deducted from taxable income to the extent the premium is not otherwise deducted by the taxpayer. |
| **Illinois** | X | | | | No tax benefits presently |
| **Indiana** | | | X | | Deduction up to full cost of premium paid for qualified LTCI for the taxpayer and the taxpayer's spouse paid in the taxable year |
| **Iowa** | | | | X | A deduction is allowed to the limits provided in the Federal Internal Revenue Code. |
| **Kansas** | X | | | | No tax benefits presently |
| **Kentucky** | | | X | | Tax deduction from adjusted gross income allowed for any amount paid during the tax year for LTCI premiums |
| **Louisiana** | | X | | | A credit against the individual income tax is allowed for amounts paid as premiums for eligible LTCI. The amount of the tax credit equals 10 percent of the total amount of LTCI premiums paid each year by each individual claiming the tax credit and the policy must meet the specific qualification requirements. |
| **Maine** | | | X | | The Superintendent of the State of Maine must certify the policy an individual purchases as a qualifying long-term care policy. A tax deduction is allowed as long as the amount subtracted is reduced by the amount claimed as a deduction for federal income tax purposes. Employers providing long-term care benefits to employees may also qualify for a tax credit, which follows a formula equal to the lesser of $5,000, 20 percent of the costs, or $100 for each employee covered. |

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **Maryland** | | X | | | Taxpayer is allowed a *one-time credit* against the state income tax in an amount equal to 100 percent of eligible LTCI premium paid. The tax credit may not exceed $500 for each insured, may not be claimed by more than one taxpayer with respect to the same individual, and may not be claimed if the insured was covered by LTCI before July 1, 2000. No carryover is allowed. For employers, a credit up to an amount equal to 5 percent of the costs incurred by the employer during the taxable year for providing LTCI as part of the benefit package. The credit may not exceed $5,000, or $100 for each employee covered by LTCI under the benefit package. |
| **Massachusetts** | X | | | | No tax benefits presently |
| **Michigan** | X | | | | No tax benefits presently |
| **Minnesota** | | X | | | A tax credit is allowed for LTCI premiums equal to the lesser of (a) 25 percent of premiums paid to the extent not deducted in determining federal taxable income or (b) $100 ($200 for married couples who file joint tax returns). |
| **Mississippi** | | X | | | A credit equal to 25 percent of premium costs paid during the taxable year for a qualified policy for self, spouse, parent, parent-in-law, or dependent. The tax credit cannot exceed $500. |
| **Missouri** | | | X | | Taxpayers may deduct 100 percent of all nonreimbursed amounts paid for qualified LTCI premiums to the extent such amounts are not included in itemized deductions. |
| **Montana** | | | X | | Montana offers a deduction for entire amount of qualified LTCI premiums covering the taxpayer or the taxpayer's parents, grandparents, and dependents. A tax credit is now allowed for premiums paid for LTCI coverage for a qualifying family member. The amount of the credit shall be based on the taxpayer's adjusted gross income and cannot exceed $5,000 per qualifying family member in a taxable year. The tax credit cannot exceed $10,000 for two or more family members. |

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **Nebraska** | | | X | | Nebraska now permits a tax deduction for Long-Term Care Savings Plan contributions of up to $2,000 per married filing jointly return or $1,000 for any other return to the extent that it is not deducted for federal income tax purposes. |
| **Nevada** | X | | | | No tax benefits presently |
| **New Hampshire** | X | | | | No tax benefits presently |
| **New Jersey** | | | X | | Deduction of LTCI premiums may be taken if they exceed 2 percent of adjusted gross income and cannot be reimbursed. |
| **New Mexico** | | | X | | New Mexico permits taxpayers who are ages 65 and older and who are not a dependent of another taxpayer to claim a tax credit of $2,800 for medical care expenses, which includes LTCI premiums paid for the filing taxpayer, spouse, or dependents if medical expenses equal $28,000 or more within the particular taxable year (and as long as the expenses are not reimbursed). A deduction allows taxpayers an additional exemption of $3,000 for medical expenses if expenses (including the cost for LTCI) equal $28,000 or more within the taxable year and if the medical expenses are not reimbursed or otherwise covered. |
| **New York** | | X | | | Credit for 20 percent of premium paid for qualifying LTCI premiums. The taxpayer is permitted to carry over to future tax years any credit amount in excess of the taxpayer's tax liability for the year. Employers are eligible for a credit equal to 20 percent of the LTCI premiums paid during the tax year for the purchase of, or for continuing coverage under, an LTCI policy. The tax credit is not refundable and the credit may not reduce the tax to less than the minimum tax due. |

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **North Carolina** | | X | | | A credit is allowed for premiums paid on LTCI for the taxpayer, the taxpayer's spouse, or a dependent in an amount equal to 15 percent of the premium costs, up to $350 for each policy on which the credit is claimed as long as adjusted gross income meets the following limitations: married filing separately, < $50,000; single, < $60,000; head of household, < $80,000; married filing jointly or qualifying widower, < $100,000. |
| **North Dakota** | | X | | | A tax credit is allowed for premiums paid on LTCI for the taxpayer and/or spouse up to $250 within any taxable year. |
| **Ohio** | | | X | | Tax deduction of federally qualified LTCI premiums for taxpayer, taxpayer's spouse, and dependents to the extent the tax deduction is not allowed in computing federal adjusted gross income |
| **Oklahoma** | | | X | | Deduction of premiums for LTCI similar to that available in federal law for medical expenses |
| **Oregon** | X | | | | No tax benefits presently |
| **Pennsylvania** | X | | | | No tax benefits presently |
| **Rhode Island** | X | | | | No tax benefits presently |
| **South Carolina** | X | | | | No tax benefits presently |
| **South Dakota** | X | | | | No tax benefits presently |
| **Tennessee** | X | | | | No tax benefits presently |
| **Texas** | X | | | | No tax benefits presently |
| **Utah** | X | | | | No tax benefits presently. |
| **Vermont** | X | | | | No tax benefits presently |
| **Virginia** | | | X | | Virginia statutes permit a deduction from federal adjusted gross income for the amount paid in LTCI premiums provided the individual has not claimed a deduction for federal tax purposes or a credit under Virginia tax code 58.1-339.11. This code permits a credit against the individual's income taxes that shall not exceed 15 percent of the amount of LTCI premiums paid during the taxable year. And, the credit cannot be claimed to the extent that the individual has claimed a deduction for federal tax purposes. The tax credit is probably more valuable than the tax deduction, so a review by an accountant is recommended. |

| | No Credit or Deduction | State Offers Tax Credit | State Offers Tax Deduction | Tax Deduction Same as Federal Law | Description of State Tax Incentive |
|---|---|---|---|---|---|
| **Washington** | X | | | | No tax benefits presently |
| **West Virginia** | | | X | | Deduction for LTCI premiums covering taxpayer and taxpayer's spouse, parents, and dependents to the extent the amount paid for LTCI is not deducted in determining federal income tax |
| **Wisconsin** | | | X | | Deduction allowed for taxpayer and taxpayer's spouse for 100 percent of the amount paid for a LTCI policy to the extent the same tax deduction is not taken for federal income tax purposes |
| **Wyoming** | X | | | | No tax benefits presently |

*Source: LTC Partner, 2018 State Tax Deductions and Credits for Long-Term Care Insurance, accessed July 9, 2018, https://longtermcareinsurancepartner.com/long-term-care-insurance/2018-long-term-care-insurance-tax-deduction*

** Some states allow a portion of long-term care insurance premiums to be subtracted from state gross income. Check with your tax adviser to find out if you qualify for subtractions to state gross income or a deduction or tax credit, and if so, how much.*

1 National Association of Insurance Commissioners, *The Center for Insurance, Policy and Research, Long-Term Care* (Washington, DC: NAIC, December 13, 2017), http://www.naic.org/cipr_topics/topic_long_term_care.htm.

2 Daily home health cost is calculated using the annual national median rate. Genworth Financial Inc., *Genworth 2017 Cost of Care Survey Conducted by CareScout®* (Richmond, VA: Genworth Financial Inc., June 2017), https://www.genworth.com/about-us/industry-expertise/cost-of-care.html.

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