



Issue Brief

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State Innovations to Encourage Personal Planning for Long-Term Care

Summary

Medicaid has become the nation's default long-term care financing system, covering almost 45 percent of all long-term care (LTC) expenditures. In fact, LTC accounts for about one-third of all Medicaid costs. In an effort to contain state Medicaid costs—which comprise one-fifth of their general revenue expenditures—states are actively pursuing strategies that encourage personal financial planning for LTC.

The cost of LTC is high and rising; by 2030, institutional health care is expected to cost \$200,000 a year. Accumulating the resources necessary to pay for LTC takes time, but the nation's 77 million baby-boomers—born between 1946 and 1964—are not planning sufficiently to meet their own LTC expenses. A recent study reports that 85 percent of Americans over the age of 45 have no public or private insurance protection against the costs of LTC.

To contain health-care expenditures and prepare for the LTC needs of aging baby-boomers, states are adopting or exploring innovative strategies to encourage citizens to plan to finance their own LTC needs. These strategies include:

Using state tax incentives to encourage the purchase of LTC insurance.

- Providing a tax deduction or credit for employers offering group LTC insurance policies (Maine and Maryland).
- Providing state tax deductions or credits for the purchase of LTC insurance (23 states).

Combining private and public resources.

- Allowing family members to provide financial support to older persons in the community without losing Medicaid benefits (Iowa).
- Providing asset protection under Medicaid for individuals who purchase special partnerships policies (California, Connecticut, Indiana and New York).

Encouraging the state government workforce to purchase LTC insurance.

- Offering special low-cost LTC insurance policies to state employees (Michigan and Minnesota).
- Establishing self-funded LTC insurance programs (Alaska and California).
- Offering LTC insurance policies through employee benefit programs (29 states).

Creating public education and marketing campaigns.

- Launching broad-based public education campaigns (Michigan and Minnesota).
- Using targeted efforts to increase awareness (California, Connecticut, Hawaii, Kansas, Minnesota, Nebraska, Nevada, New York North Carolina and Oregon).
- Setting up multi-purpose LTC information resource centers (24 states).
- Using Web sites and clearinghouses (Maine, Minnesota, New Jersey, New York, North Carolina and Virginia).

Promoting new tools and proposals.

- Federal health saving accounts
- Reverse mortgages (California, Indiana, Michigan, Nebraska, New Jersey, New York, North Carolina, Ohio, Rhode Island, Texas and Washington)
- LTC Expense Calculators.

Background

Medicaid has become the nation's default long-term care financing system. As the nation's only publicly funded program that pays for LTC expenses, Medicaid covers almost 45 percent of all LTC expenditures. In fact, LTC accounts for about one-third of all Medicaid costs. In an effort to contain state Medicaid costs—which comprise one-fifth of their general revenue expenditures—states are actively pursuing strategies that encourage personal financial planning for LTC.



LTC costs are high and rising. In 2003, the annual cost for a semi-private nursing home room averaged \$57,000 and average home health care costs totaled \$20,000 per year. By 2030, the annual costs for institutional and home health care are expected to rise to \$200,000 and \$75,000, respectively.¹ Accumulating the resources necessary to pay for expensive LTC takes time, but the nation's 77 million baby-boomers—born between 1946 and 1964—are not planning sufficiently to meet their own LTC expenses. A recent study reports that 85 percent of Americans over the age of 45 have no public or private insurance protection against the costs of LTC.²

Frequently cited reasons why baby-boomers are not planning adequately to meet their LTC financing needs include:

- common misconceptions about Medicare coverage for LTC costs—in fact, Medicare covers only 100 days of skilled nursing care following a hospital discharge and does not contain a LTC component providing for extended community or institutional care;
- widespread lack of awareness regarding the high costs associated with LTC;
- wariness about paying LTC insurance premiums to cover services that may not be needed for decades;
- unaffordable LTC insurance premiums for lower-middle-income persons;
- lack of knowledge about the availability of other LTC financing vehicles such as reverse mortgages to pay for LTC costs;

- limited options for lower-middle-income persons to avoid spending down into Medicaid; and
- lack of stigma or consequences for individuals choosing to spend down to Medicaid.

Policymakers know that baby-boomers need to begin planning for their LTC financial needs because neither public nor private financing systems can fully cover the cost. State strategies to encourage LTC financial planning include:

- using state tax incentives to encourage the purchase of LTC insurance;
- combining public and private financing resources to reduce the likelihood of spending down to Medicaid;
- using the state’s role as an employer as a model for encouraging workers to purchase LTC insurance;
- creating public awareness and marketing campaigns to increase the public’s understanding of LTC risks and to inspire taxpayers to plan financially for their own LTC needs; and
- promoting new tools to encourage personal financial planning for LTC.

This paper explores how states are implementing these strategies to encourage personal financial planning for LTC.

Using state tax incentives to encourage the purchase of LTC insurance

Six million Americans—including 11 percent of the population age 65 and older and [8 percent](#) of those between ages 55 and 64—currently have LTC insurance policies in force.³ About 1 million LTC policies have been purchased through employers. In recent years, the employer-sponsored market has accounted for one out of every three LTC policies sold, and over 5,600 employers now offer LTC insurance to their employees as a voluntary benefit.⁴ To encourage more employers to offer LTC insurance and more boomers to purchase it, states are employing the following strategies.

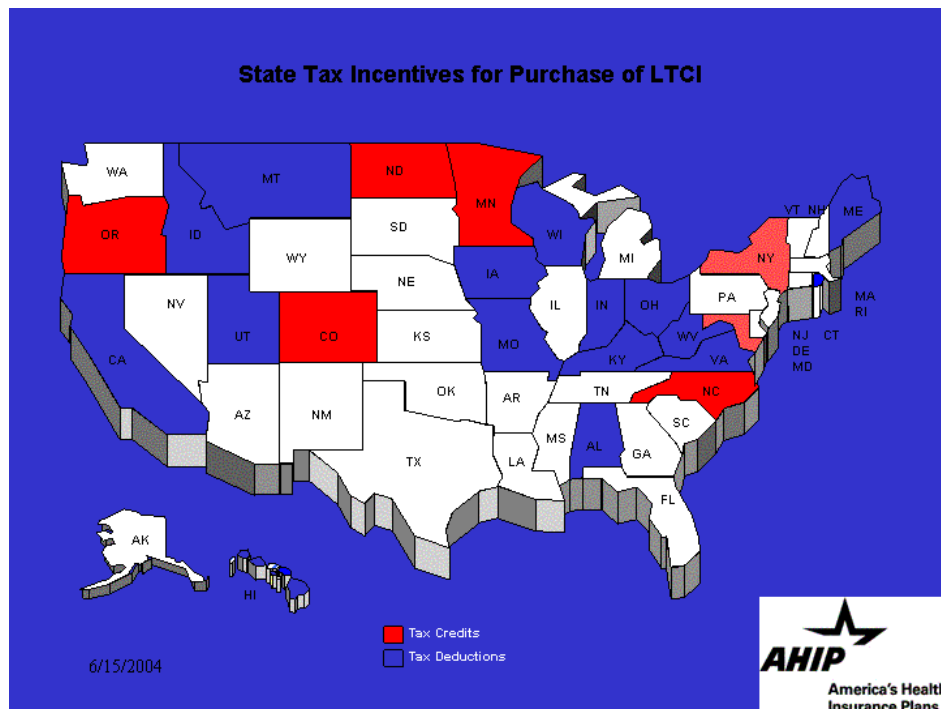
Providing a tax deduction or credit for employers offering group LTC insurance policies

Two states, **Maine** and **Maryland**, offer tax deductions or credits to employers that provide LTC insurance benefits to employees.

- **Maine** allows a deduction for LTC employer-paid insurance premiums if an insurance contract is federally qualified, no matter when the qualification occurred, starting with tax year 2000. The employer tax credit equals the lowest of \$5,000, 20 percent of the employer’s cost for providing LTC insurance as part of its benefit package or \$100 for each covered employee. Maine has also established a certification program that allows the insurer to request certification for tax years beginning January 1, 2002, for any plan issued after January 1, 2000. [Maine’s Web site](#) provides a list of all certified policies and the Maine [Bureau of Elder and Adult Services](#) posts consumer information on LTC insurance tax deductions.
- **Maryland** allows employers a state income tax credit for up to 5 percent of the cost of providing LTC insurance to their employees. Maryland limits the credit to the lesser of \$5,000 or \$100 for each covered employee.

Providing state tax deductions or credits for the purchase of LTC insurance

Under federal law, qualified LTC insurance premiums and out-of-pocket expenses, along with all other kinds of health-related expenses, must exceed 7.5 percent of adjusted gross income before they can be deducted from federal income tax.⁵ Twenty-three states provide state income tax incentives to individuals who purchase LTC insurance, either as deductions from taxable income or credits to reduce income taxes. Deductions or credits range from 100 percent of the premiums paid without a cap to a smaller percentage or capped portion of premiums. Typically, individuals must meet specific criteria to qualify for their states' tax deduction or credit for LTC insurance. These criteria may include factors such as itemizing deductions, qualifying for a medical expense deduction, attaining a certain age or purchasing a particular type of LTC insurance policy.



Tax **deductions** reduce the cost of a LTC insurance policy proportionally to an individual's marginal tax rate or bracket. Thus, those in higher income tax brackets benefit more than those in lower brackets. Individuals without any income tax liability receive no benefit from this approach. **Alabama, Indiana, Kentucky, Maine and Montana** offer full income tax deductions for LTC insurance. **California, Hawaii, Idaho, Iowa, Missouri, Ohio, Utah, Virginia, West Virginia and Wisconsin** offer partial, capped or limited income tax deductions for LTC insurance.

Tax **credits** reduce the cost of a LTC insurance policy dollar-for-dollar regardless of an individual's marginal tax rate or bracket. Therefore, refundable tax credits can provide an incentive to individuals without any income tax liability to purchase LTC insurance. No state offers full income tax credits for LTC insurance, but **Colorado, Maryland, Minnesota, New York, North Carolina, North Dakota and Oregon** offer partial or capped income tax credits. The Minnesota House of Representatives prepared a [table](#) summarizing the fiscal experience of these states with LTC tax credits.

Other states such as **Indiana** and **Montana** offer multiple tax options.

- **Indiana** taxpayers and their spouses who pay premiums on Indiana Partnership LTC insurance policies may receive a 100 percent state income tax deduction with no cap. However, premiums paid for nonpartnership LTC insurance policies do not qualify for state income tax deductions.
- **Montana** offers either a full income tax deduction for LTC insurance premiums or a tax credit for the cost of qualified elderly care expenses, including LTC insurance premiums. If an individual takes the credit, the state prohibits the taxpayer from taking an additional deduction for premium payments on the same policy for which the credit was taken.

During the most recent legislative session, approximately a dozen state legislatures actively addressed the tax treatment of LTC insurance. For example:

- **Idaho** enacted legislation to increase the deduction for LTC insurance premiums from 50 percent to 100 percent; and
- **Kansas** enacted a new LTC tax deduction. For tax year 2005, the allowable deduction for LTC premiums is up to \$500.00. During tax years 2006 to 2009, the amount of deduction rises \$100.00 each year. For tax year 2010 and thereafter, the allowable deduction is up to \$1000.00.

Most states limit income tax deductions or credits for LTC insurance premiums to policies purchased for the benefit of the taxpayer, spouse and dependents. However, some states also provide tax incentives for LTC insurance purchased for the benefit of other family members. **Maryland, North Dakota, Oregon** and **West Virginia** provide LTC income tax credits for policies that cover parents and step-parents, and **Montana** provides a tax credit for policies that cover grandparents.

Combining private and public resources

To reduce or delay reliance on Medicaid for long-term care, states are implementing programs that combine public and private resources. Many of these programs require individuals to insure themselves for specified but limited period of time in exchange for increased asset protection under Medicaid. Programs combining public and private resources also aim to delay costly institutionalization for Medicaid-eligible individuals.

Allowing family members to provide financial support to older persons in the community without losing Medicaid benefits

Iowa permits family members to supplement the cost of LTC for Medicaid recipients living in community settings without causing their disqualification from the program. Under Iowa's program, to remain eligible for Medicaid family support must not be more than 300 percent of the federal Supplemental Security Income (SSI) income eligibility criterion.

Providing asset protection under Medicaid for individuals who purchase special partnerships policies

Four states—**California, Connecticut, Indiana and New York**—offer LTC private/public partnership programs that combine private insurance with Medicaid. When individuals with partnership policies need to access Medicaid, they receive more favorable treatment under Medicaid's asset or resource rules than those without such policies receive. **Iowa** has federal authority to implement a Partnership program but has not yet begun operations. However, the federal Omnibus Budget Reconciliation Act of 1993 precluded more states from offering such programs. During the early 1990s, 21 states initiated legislation to establish partnerships, and since 1996, seven states have passed partnership legislation. The federal restrictions passed in 1993 have kept these states from developing Partnership programs.

During the past 10 years, in the four states combined, the partnership programs have received approximately 225,000 applications for coverage. Over 180,000 policies were purchased, and approximately 150,000 policies remain in force. In the four states combined, only 1,900 policyholders have received payments, and about 60 policyholders have accessed Medicaid.

- [California's](#) partnership program offers insurance coverage for LTC through individual policies and to state government employees as a benefit option under the California Public Employee Retirement System. The California partnership provides a variety of tools to assist both consumers and agents, including a video, brochures, consumer LTC planning summits and Web-based resources. The state also has a mandatory training program for all insurance agents selling Partner Policies in California. Cumulative applications received since the inception of the program in 1994 have exceeded 80,000.
- [Connecticut](#) has a LTC Planning Committee, composed of state agencies and key legislative committee members. Its partnership program is the main statewide vehicle, not only for LTC insurance, but also for education about the range of LTC needs. Under a recent offering, every LTC insurance policy offered by Connecticut to its state government employees and retirees was a partnership policy. The state also has a mandatory training program for all insurance agents selling policies in Connecticut. More than 31,000 policies have been purchased since the program began.
- [Indiana](#) has a state LTC task force that issues extensive quarterly reports on the number and types of policies purchased, purchaser demographics, asset protection earned, service utilization, participating insurers, information and referral service telephone and Web site usage, and presentations. Indiana also requires life insurance agents to be certified to sell partnership policies and to participate in continuing education programs. Over 24,000 policies have been purchased. As of the end of 2003, only 174 policyholders had accessed benefits and 11 policyholders had accessed Medicaid after exhausting their partnership policy benefits.

The **Connecticut and Indiana** LTC partnership programs have had reciprocity since 2001, enabling policyholders in either state to obtain dollar-for-dollar Medicaid protection if they relocate to the other state. To date, no individuals have relocated to either state and become eligible for Medicaid, but the reciprocity agreement is the first of its kind in the country and represents a model for portability of the Medicaid Asset Protection benefit.

- [New York's](#) partnership program includes total asset protection for purposes of Medicaid eligibility. Over 54,000 policies have been purchased since the program began in 1993 with 43,000 currently active.

Recently, New York's Health Care Reform Working Group issued an [interim report](#) to Gov. George Pataki with proposed changes to the state's Medicaid program, including recommendations to expand and improve LTC insurance options and modify the partnership model. The report specifically recommends incentives to purchase more affordable LTC policies, which provide reduced benefit periods and less comprehensive benefits that provide partial, rather than full, resource protection.

- **Massachusetts** is exploring an informal partnership program under the auspices of its Executive Office of Elder Affairs. The program would encourage the expansion of the LTC insurance market in the state and develop an array of tax incentives, reverse mortgage options and family loans to reduce reliance on Medicaid.

Proposed federal legislation (HR 1406/S 2077) would lift the ban on additional state private/public partnerships and allow for the establishment of a National LTC Partnership to increase affordability, simplicity, portability, standardization and reciprocity. Currently reciprocity exists only between Connecticut and Indiana. On June 22, 2004, NGA Executive Director Ray Scheppach [testified](#) before the U.S. Senate Special Committee on Aging in favor of expanding the partnership programs. (For further information about the partnership programs, see the [University of Maryland's](#) Web site.)

Encouraging the state government work force to purchase LTC insurance

To serve as a model for other employers and help state employees plan for their own LTC financial needs, states are encouraging state employees and retirees to purchase LTC insurance. Some states offer low-cost group options that provide for limited benefits, while others offer LTC insurance through state self-funded retirement plans. Numerous states also offer individual LTC insurance policies through employee benefit plans. As described below, these approaches have met with varying success.

Offering special low-cost LTC insurance policies to state employees

To encourage LTC insurance enrollment, some states offer their employees basic group LTC insurance plans with simplified features designed to keep initial premiums low. For example, **Michigan's** LTC insurance plan offers moderate home care coverage and does not include a compound inflation protection feature. Instead, inflation protection is available periodically as an optional buy-up feature.

Minnesota's LTC insurance plan offers only nursing home coverage and optional inflation protection. Both of these states' low-cost approaches, coupled with extensive research, education and marketing campaigns, have produced relatively high enrollments.

Establishing self-funded LTC insurance programs

Several states have self-funded retiree and LTC insurance programs that invest and manage workers' retirement funds instead of having insurance companies perform this function. Some state employees feel more confident investing their funds with a publicly managed state entity instead of with a private insurance company.

- **Alaska's** self-funded program began offering LTC coverage in 1997 on a one-time only basis at the time of retirement. The state was able to establish a self-funded program in 1997 because an earlier LTC program started in 1987 had high participation. Since all of Alaska state retirees' health plans are self-funded, the state was able to leverage its financial resources to add the LTC insurance benefit. Today, about 50 percent of 26,000 state retirees are covered. Additionally, 6,000 spouses are enrolled. The state initially offered the affordable "bronze option," which was closed to new entrants in 2000. Under this option, benefits are provided following a 90-day deductible for individuals who cannot perform two activities of daily living. It has a lifetime maximum benefit of \$200,000 for all services and \$50,000 for home health care; a daily nursing home benefit of \$125 in Alaska and \$75 outside the state; and a daily home health care benefit of \$75 in Alaska and \$40 outside the state. The plan does not provide hospice care, respite care or inflation protection.

State officials say the plan was popular for several reasons. First, even though employees could elect coverage only at the time of retirement, the state's retirees are younger than most retirees. (Alaska has over 6,000 retirees under age 65 and more than 400 under age 49.) Second, employees and retirees have confidence in the state's self-funded plan and believe it will be there

for them when it's needed. Third, the plan provides good value at reasonable cost. Lastly, most plan participants elected to have their premium contributions deducted automatically from their pension checks.

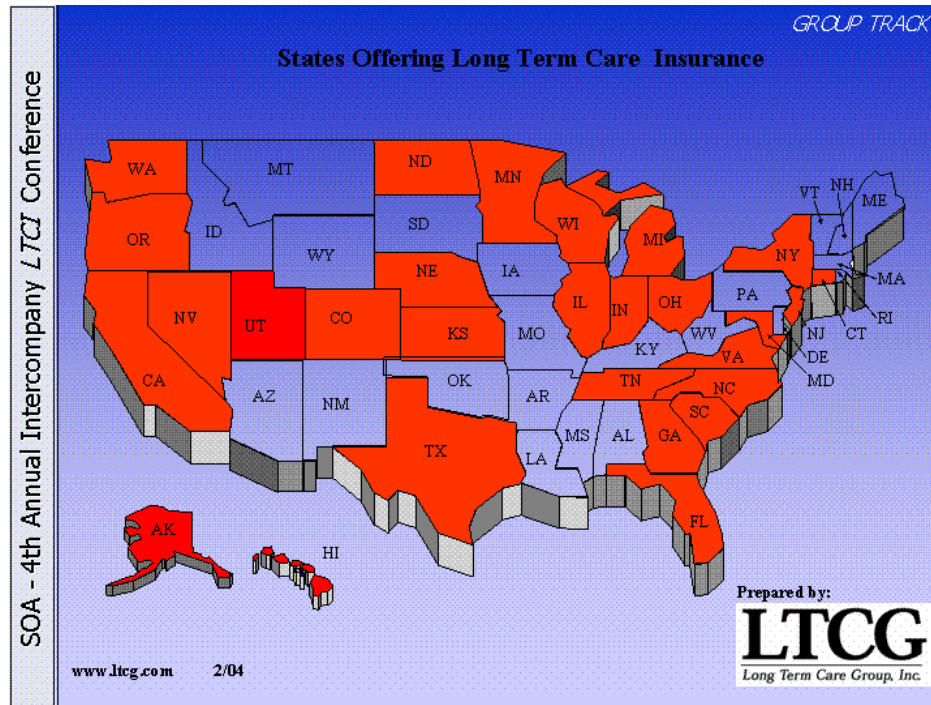
- **California** was the first state to provide LTC coverage to state government employees on a self-funded basis. The California Public Employees Retirement System administers the program. Of the state's 1.3 million employees and 750,000 retirees who are eligible for the program, 8.5 percent have enrolled.

Offering LTC insurance policies through employee benefit programs

Twenty-nine states offer LTC insurance as a voluntary group benefit or on an individual basis for at least some government employees and/or retirees, and **Arkansas, Florida** and **Idaho** are developing LTC insurance programs for state employees. Most of these states offer group policies, typically paid for via payroll deductions. States with such policies include **Alabama, Alaska, California, Connecticut, Georgia, Hawaii, Illinois, Indiana, Kansas, Maryland, Michigan, Minnesota, Montana, Nevada, New Jersey, New York, North Dakota, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Virginia** and **Washington**. In addition, **Colorado, Kentucky, North Carolina, Texas** and **Wisconsin** offer individual policies.

For states where data is available, median enrollment is 2 percent. The highest rates of enrollment among eligible employees and retirees have been reported in **Michigan** (19 percent), **Minnesota** (over 18 percent) and **Oregon** (nearly 14 percent).

- **Virginia** automatically provides LTC insurance to all full-time and part-time state employees who participate in the Virginia Sickness and Disability Program (VSDP) under the Virginia Retirement system. The [basic benefit](#) provides a \$75.00 basic daily benefit with a two-year lifetime maximum. Eligibility depends on an inability to perform at least two of six Activities of Daily Living (ADL's) such as: bathing, dressing, or eating. Services covered include: nursing or hospice facility care; assisted living care; home health services; caregiver training; and respite care. Additionally, the state has a voluntary LTC insurance program which is available to employees, retirees, their spouses, parents and parents-in-law.
- **South Dakota** recently phased in [a new LTC insurance program for state employees](#). The program's first phase provides a basic LTC benefit to employees who already have bought supplemental group life insurance through the state. Effective March 1, 2004, active employees participating in the group plan automatically receive a basic LTC benefit at no cost. This phase is self-funded through accumulated excess reserves under the group life plan, with participation by over half of the state's work force. The basic LTC benefit will provide \$1,500 per month up to a maximum benefit of \$36,000 if an individual is unable to perform two or more activities of daily living and is confined to a nursing home. The program's second phase, with enrollment through May 21, 2004, provides an opportunity for employees to buy up to a higher LTC plan at group rates.



Creating public education and marketing campaigns

Some states have launched LTC public awareness campaigns to educate residents about LTC risks and financial planning options. While these campaigns have resulted in modest increases in the sales of LTC insurance policies, their primary purpose is to educate consumers of all ages about a wide range of LTC issues, community resources and financial options. Michigan and Minnesota have conducted extensive public education and marketing campaigns.

- Michigan** conducted a \$2.5-million multimedia campaign in late 2001 to increase public awareness of LTC costs for state residents in general and government employees in particular, and to encourage private employers to sponsor group LTC insurance. The campaign included mass e-mails, state government check-stuffer messages, group information sessions and a dedicated Web site. Due to budget constraints, this broad-based program ended, but Michigan's Office of Retirement Services provides ongoing LTC education to state employees. All of the office's pre-retirement information meeting packets and retirement application packets contain a LTC brochure, pre-retirement meeting presentations include dedicated slides on the LTC program and "Retirement Readiness" books contain information about LTC. While the average participation rate in employer-sponsored group LTC insurance plans is 5 to 8 percent, Michigan's participation rate for state government employees and retirees is 19 percent.
- Minnesota's** campaign educates private-sector employers on selecting group programs and informs consumers of all ages about community resources and funding alternatives, including reverse mortgages. Minnesota conducted extensive research on employer interest in LTC insurance as an employee benefit and on the decision-making process by families dealing with LTC needs. The state's Web site offers [information on these research topics](#). Minnesota also is planning focus groups of insurance industry leaders and employers to determine other state activities to promote LTC insurance. Legislative and administrative initiatives in response to research findings are expected in 2005.

In addition to these broad-based efforts, several states have used targeted efforts to increase awareness of LTC costs and the need to engage in personal financial planning for LTC. For example, **California, Connecticut, Hawaii, Kansas, Minnesota, Nebraska, Nevada, New York, North Carolina** and **Oregon** have either planned or conducted statewide public awareness, education or marketing campaigns on LTC. **California** has designated May as “retirement planning month” in a campaign targeted to state government employees that includes LTC as one of the program topics focusing on longevity risks. Other state activities include public service announcements, mailings, and media events; information and referral services to help residents plan for and obtain LTC; assistance in assessing LTC insurance policies; recruiting corporate partners to help convey key LTC planning messages; and the publication of guides to LTC insurance plans available for individual purchase.

Setting up multi-purpose LTC information resource centers

The U.S. Department of Health and Human Services (HHS) recently announced \$9 million in grants to 12 states to build one-stop [Aging and Disability Resource Centers](#) to educate consumers about LTC options. Similar grants were made to 12 other states in 2003. The program is a joint effort of HHS’s Administration on Aging and the Centers for Medicare & Medicaid Services (CMS). States are tackling the Aging and Disability Resource Centers in various ways depending on local infrastructure. For example, **New Jersey** is plotting access points at the county government level, while **Montana** is setting up centers in shopping malls and traveling to Native American reservations.

Using Web sites and clearinghouses

Many states provide information about LTC issues, including LTC insurance, on state government Web sites. Some states have assigned certain agencies responsibility for providing a centralized clearinghouse for LTC information, such as **Maine’s** [Bureau of Insurance](#); **Minnesota’s** [Department of Employee Relations](#); **New Jersey’s** [Division of Pensions and Benefits](#); **New York’s** [State Office for the Aging](#); and **North Carolina’s** [Department of Health and Human Services](#). **Virginia’s** [SeniorNavigator](#) Web site provides extensive information on a wide array of topics including financial planning options. In addition, the federal government posts information about LTC on the [Medicare](#) Web site, and the Center for Long-Term Care Financing offers a [Web site](#) with regularly updated LTC data, bulletins and alerts. The nonprofit center is “dedicated to ensuring quality LTC for all Americans by promoting public policy that targets scarce public resources to the neediest, while encouraging people who are young, healthy and affluent enough to take responsibility for themselves.”

Promoting new tools and proposals

States can promote new tools to encourage LTC financial planning or the use of existing financial tools to cover LTC costs.

Federal health saving accounts

Beginning in 2004, individuals and employers may establish health savings accounts (HSAs) as federal tax-favored vehicles to fund retiree health care, including LTC. Created by the Medicare Reform Act of 2003, HSAs must be linked to a high-deductible health insurance policy. Minimum deductibles are \$1,000 per individual or \$2,000 per family. Employers and/or employees may fund HSAs with contributions made on a pre-tax basis. Withdrawals are tax-free as long as they are used to pay for qualified medical expenses, which include qualified LTC insurance. The individual owns the HSA

account and can roll funds over to another employer's HSA or to a personal HSA when terminating employment. Contribution limits in any year are the lesser of the individual's health insurance plan deductible or \$2,600 per individual/\$5,150 per family (these contribution limits are indexed for inflation). Individuals can hold HSA funds in accounts with banks, insurers, mutual funds and other IRS-approved vendors.

To make HSAs attractive to their residents, states will need to make statutory and regulatory changes. For example, states may need to change their tax laws to conform to the favorable federal tax treatment of contributions and withdrawals.

Reverse mortgages

Since 1989, the federal government has insured a specific type of mortgage for homeowners age 62 and over. These "reverse mortgages" provide regular monthly income to the homeowner without repayment or the threat of eviction, even if the owner outlives the declining equity. Funds received from reverse mortgages or home equity conversions may be used to purchase LTC insurance or to pay directly for LTC needs.



Reverse mortgage programs allow homeowners to cash in on the equity in their homes, typically without any income qualifications and with limited credit qualifications. Borrowers may receive income from the reverse mortgage or home equity conversion mortgage as a lump sum distribution, monthly payments over a fixed period of years, a lifetime annuity or a flexible line of credit. This tax-free money may be used without restriction and does not count as income toward Social Security, Medicare or Medicaid benefits. The borrower retains ownership and occupancy of the home and responsibility for property taxes, repairs and maintenance. The full loan amount, including principal and interest, is repaid to the lending institution when the borrower or borrower's spouse sells the home, moves or dies.

With support from the U.S. Centers on Medicare and Medicaid and the Robert Wood Johnson Foundation, the National Council on Aging (NCOA) has launched a [Use Your Home to Stay at Home Program](#). As part of the program, a recently released NCOA study indicates that of the 13.2 million candidates for reverse mortgages, about 5.2 million are either already receiving Medicaid or at financial risk of needing Medicaid if they were faced with paying the high cost of long-term care at home. This economically vulnerable segment of the nation's older population could get \$309 billion from reverse mortgages to help pay for long-term care. The project will produce a "National Blueprint for Increasing the Use of Reverse Mortgages for LTC" with recommendations for administrative action, regulatory changes and demonstration programs.

At present, [California](#), [Indiana](#), [Michigan](#), [Nebraska](#), [New Jersey](#), [New York](#), [North Carolina](#), [Ohio](#), [Rhode Island](#), [Texas](#) and [Washington](#) promote reverse mortgages through special programs and outreach. The states with the highest penetration of reverse mortgage or home equity conversion

programs are **Alaska, Colorado, Connecticut, Idaho, Nevada, New Jersey, Rhode Island, Utah and Washington.**⁶

[The U.S. Department of Housing and Urban Development](#) (HUD) Web site provides information on HUD approved reverse mortgage lenders and counselors in each state. Additionally, the HUD Web site provides a link to the [AARP Reverse Mortgage Calculator](#).

LTC Expense Calculators

Studies show that encouraging individuals to undertake a retirement needs calculation is an effective incentive to increasing savings.⁷ While many retirement calculators do not take LTC expenses into account, both public and private sector institutions have developed calculators that do.

As part of the federal government's promotion of its LTC insurance program for employees, the **U.S. Office of Personnel Management** includes [a LTC personal financing expense estimator](#) in its suite of LTC planning tools. In addition, employee benefit consulting firms are developing Web-based planning tools to help employees of their clients plan for LTC needs. One example is [Retire@Ease](#), developed by William Mercer.

Conclusion

To address concerns about rising Medicaid costs and the implications of an aging society, states are using a wide array of tools to encourage personal LTC financial planning. In addition to using existing options, states are developing new vehicles to foster increased LTC financial planning. Renewed state efforts to expand partnership programs, state programs to help individuals use their own resources appropriately to pay for LTC services and increased state promotion of using reverse mortgages to pay for LTC expenses will further the personal financial planning necessary for LTC.

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¹ Coronel, Susan, Presentation at the National Governors Association Policy Forum, America's Health Insurance Plans, May 2004.

² Long-Term Care Financing Strategy Group. *Index of the Uninsured*. (Washington, D.C., 2004).

³ Long Term Care Financing Project, Georgetown University. *Who Pays for Long-Term Care: Fact Sheet*. (Washington, D.C., 2003).

⁴ Coronel. (Source: Lifeplans Inc. *Analysis of 2000 AHIP/HIAA Buyer Study*.)

⁵ The President's Fiscal Year 2005 Budget includes an "above-the-line" deduction for LTC insurance premiums and provides an additional personal exemption to caregivers of family members with long-term illnesses. The proposed deduction would allow all taxpayers to deduct LTC insurance policy premiums from their taxable income, regardless of whether they itemize deductions on their tax returns.

⁶ Abt Associates, Inc. *Evaluation of the FHA Home Equity Conversion Mortgage Insurance Demonstration – Final Report*. (Washington, D.C., 2002).

⁷Helman, Greenwald Associates and Paladino, EBRI/ASEC. *Will Americans Ever Become Savers: The 14th Retirement Confidence Survey, EBRI Issue Brief 268*. (Washington, D.C.: Employee Benefit Research Institute, 2004).