

Bob Dole



NEWS

U. S. SENATOR FOR KANSAS

FROM:

SENATE REPUBLICAN LEADER

FOR IMMEDIATE RELEASE  
AUGUST 2, 1991

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## LONG-TERM CARE

### DOLE/PACKWOOD "SECURE CHOICE" BILL: COMPREHENSIVE APPROACH TO ACCESS & COST OF LONG-TERM CARE SERVICES & INSURANCE

WASHINGTON -- Senate Republican Leader Bob Dole (R-Kansas) and Senator Bob Packwood (R-Oregon) today introduced a bill designed to help make long-term care more affordable to more elderly Americans who suffer the lasting effects of strokes, crippling arthritis, vision and hearing loss, Alzheimer's disease or any other chronic condition that renders them incapable of taking care of themselves. Senator Dole's statement introducing the "Secure Choice" bill follows:

Like most of the members of this body, I will return to my home state next week to meet with my constituents. If these meetings are like the ones I've held over the past years, I know that I'm going to hear a lot of discussion and questions about long term care.

In Kansas, and across America, millions of elderly men and women ask what type of long term care is available to them, and if they will be able to afford it. Middle-aged and younger adults have also shared their concerns on this issue--will their parents get the high quality care they deserve...will a system be in place which will care for them as they grow older.

For over a year, the distinguished Senator from Oregon, Senator Packwood, and I have worked together to craft comprehensive legislation which would address the concerns we hear so often. During this time, we have met with representatives from state governments, industry associations, and insurance companies--and we are grateful for their contributions.

And today, we introduce the product of our effort--legislation which we call "Secure Choice." Senator Packwood and I are committed to this legislation, and to finding adequate financing for its implementation, without further increasing the deficit.

#### Step 1: Providing More Long-Term Care Services

"Secure Choice" is a responsible three-step approach to the long term care issue. The first step involves providing a wider range of long-term care services than are currently available to low-income elderly Americans under Medicaid.

Year after year, in meeting after meeting, I've heard from seniors who do not want to spend their remaining years in a nursing home, unless their medical condition dictates. Instead, they would rather remain at home, with their family in familiar, and often more cost-effective surroundings.

That's why, in addition to nursing home care, "Secure Choice"  
(OVER)

provides for expanded home and community-based care to seniors below the poverty level. With the cooperation of state governments, which exercise the option of extending these services to people with incomes up to 240% of the federal poverty level, home and community-based care will be available to millions of needy older Americans.

Step 2: Public/Private Partnership to Make Insurance More Affordable

Part two of our legislation recognizes that the only responsible solution to long-term care is one that calls upon the initiative of private enterprise, as well as government.

By creating a public/private partnership, "Secure Choice" encourages insurers to increase their options and broaden their market, thereby putting private long-term care insurance within the financial reach of a greater number of Americans.

Our bill also requires case management services for both the public and public/private programs, which insurers and providers have told us are the best way to promote high quality and cost effective care. A broad variety of public, non-profit and non-public agencies will be eligible to contract to perform these services. While there is a prohibition against a provider performing this service, in no way is it our intention to exclude insurance companies that may have extensive case management experience, but may also be involved with or related to an HMO or other broad based health care service provider.

Step 3: Promote Individual and Employer-provided LTC Insurance

The third part of "Secure Choice" is a clarification of the tax code, which encourages individuals to buy long-term care insurance, and which provides incentives for business to provide such insurance to their employees.

Under our proposal, all long-term care expenses would be treated the same as medical expenses. Therefore, payments for insured long-term care services would be tax free; employer-paid long-term care services and insurance would be classified as tax-free employee fringe benefits; and insurance company reserves set aside to pay long-term care benefits would be tax deductible.

Senator Packwood and I strongly believe that this free market approach--and not government mandates--is the most responsible way to shield Americans from the financial ruin of uninsured nursing home expense, and to protect health care providers from the heartbreak of denying care to those who otherwise could not pay for it.

Responsibility to Provide Long-Term Security

Long term care is a national problem, requiring a national solution. And "Secure Choice" calls on all sectors of American society--federal and state government, private employers, insurance companies, and families and individuals-- to join together in ensuring that our seniors can live with dignity.

Mr. President, Senator Packwood and I certainly realize that "Secure Choice" is not the only solution that has been offered. There are others out there. And there are disagreements on whether we can afford some of the proposals, and on whether others do enough.

One thing on which we can all agree is that we must do something. We simply can't wring our hands, and wish the problem away. We have a duty to assist those who have given so much to our country. "Secure Choice" fulfills that duty by offering a comprehensive approach that will result in long-term security for Americans facing the prospect of long-term care.

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SUMMARY OF PACKWOOD-DOLE

"SECURE CHOICE" LONG-TERM CARE LEGISLATION

The legislation establishes an integrated, three-part approach to make long-term care services for the elderly more available and more affordable. Each of the three parts of the legislation is structured around the elderly's need for services and financial capacity.

DESCRIPTION OF SECURE CHOICE

A. Federal/State Program

Establishes a new Federal program to provide long-term care services to low-income elderly under a new Title (XXI) of the Social Security Act. Long-term care services now provided through Medicaid would be moved to Title XXI.

- o The current Medicaid link to cash welfare assistance would be severed. Eligibility would be broadened and simplified--based only on age, income, assets, and impairment. The impairment must be evidenced by limitations in performing Activities of Daily Living (ADLs) or by the presence of Alzheimer's disease or a similar dementia.
- o States would be required to cover eligible individuals with income up to 100% of the Federal poverty level (FPL), and could cover individuals up to 240% of the FPL at their option.
- o Covered services would include nursing home care and a mix of home and community-based care.
- o States can provide home and community-based services without the need for a waiver program.
- o Medicaid will retain its current structure, absent provisions related to long-term care services for functionally impaired elderly. Nursing facility services, home health services, and other services would remain covered under Medicaid; however, states would limit these services to 45 days for the functionally and cognitively impaired elderly. A stay of longer than 45 days would indicate a chronic condition requiring long-term care services covered under Title XXI.

B. : Secure Choice Insurance Option

Permits states, at their option, to participate in a public-private partnership to subsidize long-term care insurance for individuals over the age of 55 with income between 240% and 400% of the FPL.

- o Individuals would be encouraged to purchase a qualified long-term care insurance policy.
- o Individuals who purchase qualified policies would be eligible to have part of their coverage subsidized by the state and Federal governments if they:
  - + are age 55 or older;
  - + have income between 240 and 400% of the FPL; and,
  - + need services (functionally/cognitively impaired).
- o Individuals who purchase qualified policies would accumulate up to \$20,000 in additional asset protection that would apply toward their eligibility for Title XXI.
- o States choosing to participate in the Secure Choice insurance option must expand their Title XXI programs to cover functionally and cognitively impaired elderly individuals with income up to 240% of the FPL. This will ensure that there are no gaps in coverage between Title XXI and the insurance option.

C. Tax Clarification

Clears up the uncertainty about the tax treatment of LTC benefits. Because of this uncertainty, very few employers offer LTC to their employees. The insurance industry believes the tax uncertainty is hindering the development of a private market for LTC insurance.

- o The bill clarifies that all LTC benefits (medical care and personal care) are treated as medical expenses under the tax law. Thus:
  - + Out-of-pocket LTC expenses and insurance will be tax deductible (above 7.5 percent of adjusted gross income);
  - + Payments for LTC services under insurance policies will not be taxable; and

- + Employer-paid LTC services and insurance will be a tax-free employee fringe benefit.
- o The bill also clarifies that reserves set aside by insurance companies to pay benefits under LTC insurance policies are tax deductible.

OTHER PROVISIONS

- o Requires states to implement a comprehensive public information and education program to educate consumers on issues of long-term care services and financing.

DATE: July 26, 1991