

## ***Core Member Organizations***

- Aging and Disability Professionals Association of Wisconsin (*ADPAW*)
- Alzheimer's Association SE Wisconsin Chapter
- Wisconsin Adult Day Services Association (*WADSA*)
- Wisconsin Association of Area Agencies on Aging (*W4A*)
- Wisconsin Association of Benefit Specialists (*WABS*)
- Wisconsin Association of Nutrition Directors (*WAND*)
- Wisconsin Association of Senior Centers (*WASC*)
- Wisconsin Institute for Healthy Aging (*WIHA*)

The Wisconsin Aging Advocacy Network is a collaborative group of individuals and associations working with and for Wisconsin's older adults to shape public policy to improve their quality of life.

***WAAN State Issue Brief***  
*November 2017*

# **Long-Term Care Investment Savings Program: AB 596**

***WAAN's Position: Develop a tax-advantaged state long term care investment savings program to help people plan and prepare for their future long-term care expenses.***

## **The Need for a Tax-Advantaged Long-Term Care (LTC) Investment Savings Program**

According to the U.S. Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation (ASPE), about half (52%) of Americans turning 65 today will develop a disability requiring long-term services and supports (LTSS), which include basic activities of daily life. Last year ASPE reported "On average, an American turning 65 today will incur \$138,000 in future LTSS costs, which could be financed by setting aside \$70,000 today." For those needing assistance for longer periods of time, the costs can be far greater – climbing into the hundreds of thousands of dollars. Health insurance, including Medicare, does not cover most LTSS expenses, leaving many people trying to pay out-of-pocket. Those with low- to moderate- incomes may be ineligible for Medical Assistance, and unable to afford long-term care insurance premiums.

Contributing to an investment savings account specifically dedicated for long-term care would provide individuals the opportunity to build a reserve fund to pay for LTSS-related expenses.

## **Purpose of a LTC Investment Program**

The LTC Investment Program would be a flexible, tax-advantaged savings vehicle for individuals to create a fund to pay for many of their future long-term care needs. A designated investment savings account for long-term care would be preferred over a the more restrictive 401(k) and medical savings accounts.

## **Advantages of a LTC Investment Savings Program vs. Other Savings Options**

Tax benefits of this fund would reflect eligible state tax exemptions, making the account an attractive investment. An additional federal tax benefit may be available for some account owners (see Schedule A of the Federal Tax return for information related to the deductibility of long-term care

insurance premiums and medical expenses).

The account holder would determine the amount and timing of fund contributions (vs. having a mandatory monthly premium/contribution). With this control, account holders would could manage personal budgets.

Account contributions could come from several sources, such as family members, friends or interested parties, similar to Wisconsin's Edvest program.

Once an account holder meets the criteria for long-term care needs, the funds could be used to pay for range of LTSS care needs

Since the funds could not be cashed in for other uses, any funds in the savings account would be excluded in determining financial eligibility for a state program (with the exception of Medical Assistance).

Account holders would be required to spend the money in their account to qualify for Medical Assistance.

Although not tied to employment, employers could to offer employees the option to contribute to an LTC account through an automatic payroll deduction.

Should an account holder have a balance upon death, the balance could be used for outstanding medical costs and or/funeral expenses. Any remaining funds could pass to the account holder's beneficiaries for their own personal LTC Investment Fund.

### **Eligibility for a Long-Term Care Investment Account**

To participate individuals, married couples, or domestic partners must be

- 18 years of age
- United States citizen or have United States permanent resident status.

A trust may also qualify for an LTC Account if it is not a special-needs trust.

### **Oversight**

The Department of Health Services would establish a LTC Investment Program which is administered and promoted by a manager who would set policy and oversee investments. The bill creates a procedure for the manager selection and contract execution.

### **Wisconsin as a Pioneer**

According to current information, Wisconsin would be a pioneer in offering a tax-advantaged long-term care investment program. The only other state offering a long-term care savings plan is Nebraska.

Wisconsin's Long-Term Care Investment program could encourage saving, which is likely to increase peoples' ability to pay the high costs of LCSS. Wis-



### **Contact WAAN**

*Janet L. Zander, CSW, MPA*

Advocacy & Public Policy  
Coordinator

Greater Wisconsin Agency on  
Aging Resources, Inc.

Elder Law & Advocacy Center  
1414 MacArthur Rd., Ste. 306  
Madison, WI 53714

Office: (715) 677-6723

Cell: (608) 228-7253

[janet.zander@gwaar.org](mailto:janet.zander@gwaar.org)

**Find this and other WAAN  
issue briefs at:**

<http://gwaar.org/waan>

consin's program could serve as model for development of a similar program available nationally.

### **Supporters of AB 596**

Wisconsin Aging Advocacy Network ([gwaar.org/waan](http://gwaar.org/waan)); Greater Wisconsin Agency on Aging Resources ([gwaar.org](http://gwaar.org)) Home Care Association of America; Dane County; Milwaukee County; AARP (?)

1 <https://aspe.hhs.gov/system/files/pdf/106211/ElderLTCrb-rev.pdf>