

2005 DRAFTING REQUEST

Assembly Amendment (AA-AB57)

Received: 04/28/2005

Received By: mshovers

Wanted: As time permits

Identical to LRB:

For: Mark Pettis (608) 267-2365

By/Representing: Kimber

This file may be shown to any legislator: NO

Drafter: mshovers

May Contact:

Addl. Drafters:

Subject: Tax, Individual - dedct/sbtrct

Extra Copies:

Submit via email: YES

Requester's email: Rep.Pettis@legis.state.wi.us

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Tax-exmpt long-care expenses accounts

Instructions:

Allow proceeds from account to be used to purchase, without penalty, long-term care insurance -- even though amounts spend on LT care insurance are already deductible under s. 71.05 (6) (b) 26. This would provide a double benefit

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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FE Sent For:

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Sub
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11 MES 4/29/05

FE Sent For:

<END>



Steven M. Radke
Director - State Government Relations
414-665-2072

April 26, 2005

Representative Mark L. Pettis
Room 20 North
State Capitol
P.O. Box 8953
Madison 53708

Sent via e-mail

RE: 2005 Assembly Bill 57

Dear Representative Pettis:

I am writing to follow-up on our recent conversation regarding Assembly Bill 57, which creates tax-exempt, long-term care expense accounts. Unfortunately, previously scheduled business travel prevents me from attending the hearing of the Assembly Committee on Aging and Long-Term Care on Thursday, April 28th, when this bill is scheduled for discussion.

Northwestern Mutual, through its subsidiary, Northwestern Long Term Care Insurance Company, is currently the 8th leading provider of long-term care insurance in the country. Our long-term care product can help reimburse some of the substantial costs associated with long-term care services while offering independence by providing options over when, where, how much, and what type of care the policyowner can receive. As you are aware, long-term care encompasses services provided to individuals suffering from a chronic illness, disabling condition or cognitive impairment. Rather than healing or curing the individual, the services provided by long-term care insurance focus on helping the individual with routine activities, such as bathing, dressing and eating. Services may be provided in the home, the community, in alternative living facilities or in nursing homes. The range of services is broad in scope and can be provided by both personal care providers, such as home health aides, or by professional care providers, such as registered nurses and physical therapists.

We agree with the important goal of A.B. 57 -- encouraging individuals to take responsibility to plan for their future long-term care needs. By the year 2030, nearly 71 million Americans will be 65 or older, and Medicaid's nursing home expenditures will be up 360 percent over 2000 levels. Unless we encourage people to plan, rising demand and soaring costs for long-term care services could deplete their savings and exhaust government programs.

We are concerned, however, that the amounts generated by the accounts provided for in the bill would not be sufficient, particularly with inflationary factors in rising long-term care costs, to provide adequate protection to appropriately address an individual's future long-term care expenses. Based on our analysis, even using optimistic assumptions for investment returns, full funding of one of these accounts would likely cover, at best, one year of an individual's long-term care (and more likely less once the eroding factor of inflation is accounted for) twenty or thirty years into the future. Recent estimates indicate a year of nursing home care in 2030 would cost in excess of \$240,000.

Representative Mark Pettis
April 26, 2005
Page Two

We believe the proposed legislation would provide even greater protection for residents of Wisconsin if it would be amended to include long-term care insurance premiums within the definition of allowable expenses. This would facilitate the use of such accounts to provide a funding source for long-term care insurance premiums, similar to the treatment accorded to long-term care insurance premiums under Federal Health Savings Accounts.

This could be easily accomplished by amending the newly created 71.10(10)(a)2 to read:

“Long-term care expenses” means any amount that is paid for care that is provided to an individual in an individual’s home or in institutional or community-based settings and that is convalescent or custodial care or care for a chronic condition or terminal illness, or amounts paid by the individual for a long-term care insurance policy as defined in s. 71.05(6)(b) 26.a. of the statutes.

Thank you for this opportunity to comment on your proposed legislation. If you have any questions about our thoughts on this bill, I would be happy to discuss them with you further.

Sincerely,



Steven M. Radke

cc: Chairman Townsend and members of the
Assembly Committee on Aging and Long-Term Care

This is what
Mark is thinking
of regarding
the AB 57
amendment. Just
wanted to pass it
on.
Thanks,
Kimber



State of Wisconsin
2005 - 2006 LEGISLATURE

LRBa0529/1

MES...:...

jld

ASSEMBLY AMENDMENT ,
TO 2005 ASSEMBLY BILL 57

SOON
FN 4/29

1 At the locations indicated, amend the bill as follows:

2 1. Page 3, line 14: delete lines 14 to 17 and substitute:

3 "2. "Long-term care expenses" means all of the following:

4 a. Any amount that is paid for care that is provided to an individual in an
5 individual's home or in institutional or community-based settings and that is
6 convallescent or custodial care or care for a chronic condition or terminal illness.

7 b. Any amount that is paid by an individual for a long-term care insurance
8 policy, as defined in s. 71.05 (6) (b) 26. a."

9 (END)