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106TH CONGRESS
1ST SESSION

H. R. 1261

To amend the Internal Revenue Code of 1986 and title XIX of the Social Security Act to promote the purchase of private long-term care insurance by providing tax deductibility, State Medicaid flexibility, and information dissemination.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1999

Mr. HOBSON (for himself, Mr. KASICH, Mr. GREENWOOD, Mrs. JOHNSON of Connecticut, Ms. PRYCE of Ohio, and Mr. SAWYER) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the Committee concerned

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A BILL

To amend the Internal Revenue Code of 1986 and title XIX of the Social Security Act to promote the purchase of private long-term care insurance by providing tax deductibility, State Medicaid flexibility, and information dissemination.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Long-Term Care Insurance Act of 1999''.

SEC. 2. DEDUCTION FOR LONG-TERM CARE PREMIUMS.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following new section:

"SEC. 222. ELIGIBLE PREMIUMS ON QUALIFIED LONG-TERM CARE INSURANCE CONTRACTS.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to the applicable percentage of the eligible long-term care premiums (as defined in section 213(d)(10)) paid during the taxable year for coverage under a qualified long-term care insurance contract for the taxpayer, his spouse, and dependents.

"(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the term 'applicable percentage' means the percentage determined under the following table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2001	20
2002	40
2003	60
2004	80
2005 and thereafter	100.

"(c) SPECIAL RULES.—

"(1) COORDINATION WITH MEDICAL DEDUCTION.—Any amount paid by a taxpayer for insurance to which subsection (a) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

"(2) COORDINATION WITH DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—No deduction shall be allowed under this section for any amount for which a deduction is allowable under section 162(l).

"(3) DENIAL OF DEDUCTION TO DEPENDENTS.—No deduction shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins."

(b) DEDUCTION ALLOWED WHETHER OR NOT TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a) of section 62 of such Code is amended by inserting after paragraph (17) the following new paragraph:

"(18) ELIGIBLE LONG-TERM CARE PREMIUMS.—The deduction allowed by section 222."

(c) REDUCTION IN EARNED INCOME CREDIT TO TAXPAYERS WITHOUT CHILDREN AS OFFSET FOR REDUCTION IN REVENUES.—Subparagraph (A) of section

32(b)(1) of such Code is amended by striking ''7.65'' and inserting ''3.825''.

(d) CONFORMING AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

''Sec. 222. Eligible premiums on qualified long-term care insurance contracts.
''Sec. 223. Cross reference.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 3. REVISION OF MEDICAID LIMITATION.

(a) IN GENERAL.—Section 1917(b)(1)(C) of the Social Security Act (42 U.S.C. 1396p(b)(1)(C)) is amended—

(1) in clause (i), by inserting ''or clause (iii)'' after ''such clause''; and

(2) by adding at the end the following new clause:

''(iii) In the case of an individual who receives medical assistance under a State plan not described in clause (ii) of a State which has a State plan amendment approved which provides for the disregard of any assets or resources in the manner described in such clause, clause (i) shall not apply to

75 percent of the amounts of the assets or resources so disregarded.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) take effect on the date of the enactment of this Act.

SEC. 4. DISSEMINATING INFORMATION ABOUT LONG-TERM CARE POLICIES AND MEDICARE COVERAGE.

(a) FINDINGS.—The Congress finds the following:

(1) As the baby boom generation begins to retire, funding Social Security and Medicare will put a strain on the financial resources of younger Americans.

(2) Medicaid was designed as a program for the poor, but in many States Medicaid is being used for middle income elderly people to fund long-term care expenses.

(3) In the coming decade, people over age 65 will represent up to 20 percent or more of the population, and the proportion of the population composed of individuals who are over age 85, who are most likely to be in need of long-term care, may double or triple.

(4) With nursing home care now costing $40,000 to $50,000 on average per year, long-term care expenses can have a catastrophic effect on fami-

lies, wiping out a lifetime of savings before a spouse, parent, or grandparent becomes eligible for Medicaid.

(5) Many people are unaware that most long-term care costs are not covered by Medicare and that Medicaid covers long-term care only after the person's assets have been exhausted.

(6) Widespread use of private long-term care insurance has the potential to protect families from the catastrophic costs of long-term care services while, at the same time, easing the burden on Medicaid as the baby boom generation ages.

(7) The Federal Government has endorsed the concept of private long-term care insurance by establishing Federal tax rules for tax-qualified policies in the Health Insurance Portability and Accountability Act of 1996.

(8) The Federal Government has ensured the availability of quality long-term care insurance products and sales practices by adopting strict consumer protections in the Health Insurance Portability and Accountability Act of 1996.

(b) DISSEMINATION OF INFORMATION.—

(1) IN GENERAL.—The Administrator of the Social Security Administration, in cooperation with

the Administrator of the Health Care Financing Administration, shall take all appropriate steps to inform the public—

(A) about the financial risks posed by rapidly increasing long-term care costs and about the need for families to plan for their long-term care needs; and

(B) that Medicare does not cover most long-term care costs and that Medicaid covers long-term care costs only when the beneficiary has exhausted his or her assets.

(2) ENCOURAGEMENT OF EMPLOYER-SPONSORED COVERAGE.—The Secretary of Labor, in cooperation with the Administrator of the Health Care Financing Administration, shall take all appropriate steps not only to encourage employers to offer private long-term care insurance coverage to employees, but also to encourage both working-aged people and older citizens to obtain long-term care insurance either through their employers or on their own.

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