Bill Analysis

Peter A. Cooper *Legislative Service Commission*

H.B. 88

123rd General Assembly
(As Introduced)

Reps. Terwilleger, Taylor, Tiberi, D. Miller, Metelsky, Pringle, Winkler

BILL SUMMARY

- Allows a nonrefundable income tax credit equal to 25% of the premiums paid by a taxpayer for long-term care insurance for the taxpayer, up to $500.
- Requires the state to pay 25% of the premiums charged for long-term care insurance covering active state employees with at least five years of full-time service with the state.
- Permits the state to self-insure state employees' long-term care benefits.
- Specifies who may be covered under the state's long-term care insurance program for state employees.

CONTENT AND OPERATION

Long-term care insurance tax credit

(secs. 5747.052, 5747.08, and 5747.98; Section 3(B))

The bill permits an income tax credit equal to 25% of the premiums paid by an individual during the taxable year for long-term care insurance for the individual. The maximum credit allowed for a taxable year is $500. The bill does not allow a carry-forward period if the amount of the credit exceeds the individual's tax liability in a given year. The credit is nonrefundable; if the amount of the credit exceeds a taxpayer's end-of-year tax liability, the excess is not refunded. The credit first applies in the taxable years beginning in 2000.

Medical savings account holders

This credit is also available if the taxpayer is the account holder of a medical savings account and amounts were withdrawn from the account either to reimburse the taxpayer for premiums paid for long-term care insurance for the taxpayer, or to pay the premiums for such insurance. Under existing law, taxpayers who deposit money in a medical savings account can deduct the deposit in computing their Ohio taxable incomes; any amount withdrawn from the account that is used to pay for eligible medical expenses (which includes long-term care insurance premiums) remains deductible, but any amount used for any other purpose becomes subject to taxation when withdrawn.

For purposes of the bill, "long-term care insurance" generally means any insurance policy or rider designed to provide coverage for not less than one year for one or more necessary or medically necessary diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services, provided in a setting other than an acute care unit of a hospital. The term does not include any policy offered primarily to provide basic Medicare supplement coverage, or any life insurance policy (1) that accelerates the death benefits specifically for the qualifying event of terminal illness, medical conditions requiring extraordinary medical intervention, or permanent institutional confinement, (2) that provides an option of a lump-sum payment for those benefits, and (3) in which the benefits are not conditioned upon the receipt of long-term care.

Long-term care insurance covering state employees

(sec. 124.84; Section 3(A))

The Department of Administrative Services is currently required to purchase a policy of long-term care insurance covering all state employees who are paid directly by warrant of the Auditor of State, including elected state officials. Any such employee may elect to participate in the policy, and may choose to include the employee's dependents and family members in the coverage. However, the entire premium charged for the coverage must be paid by the employee. If an employee who participates in the policy leaves employment, the employee may elect to continue to participate in the policy in the same manner as if the employee had not left employment.

Some premiums paid by state

(sec. 124.84(B)(1), (2), and (3))

The bill requires the state to pay 25% of the premium charged for such coverage, if the employee has at least five years of full-time service with the state. The state would not, however, pay any part of the premium charged for covering family members. If the employee leaves employment and elects to continue to participate in the policy, the employee is responsible for the entire premium charged.

Self-insurance

(sec. 124.84(F))

The bill authorizes the Department of Administrative Services to self-insure risks in the provision of long-term care benefits for state employees and officers. If the Department self-insures those risks, it must adopt rules in accordance with the Administrative Procedure Act for administering the insurance program, including rules governing the conditions of participation, contribution rates, the extent of benefits, methods of paying for participation, and procedures to ensure the actuarial soundness of the program. The Department also would have to enter into a contract with a third-party administrator that has experience and expertise in administering such a program, and that is fully qualified, financially sound, and capable of meeting all "service requirements" of the contract as set forth in the Department's rules. Finally, the Department would have to do whatever is necessary to make the program a pre-tax benefits program so that the benefits would not be included in a participant's federal gross income.

PERS program

(sec. 145.581)

Current law authorizes the Public Employees Retirement System to provide long-term care insurance to members.

Under the bill, if the Department of Administrative Services adopts a self-insured long-term care insurance program, the PERS board would be prohibited from establishing a long-term care insurance program, but any PERS member receiving PERS benefits would be eligible to participate in the Department's self-insurance program.

Covered individuals

(secs. 124.84(B)(3) and 145.581(D)(1))

The bill also strikes references to an employee's "dependents" as those whom a long-term care insurance policy adopted by DAS may cover. The significance of this change, if any, is not immediately apparent, however, since existing law does not specify who qualifies as a dependent. The policy coverage still would apply to "family members," who are defined as an employee's spouse, children, parents, and parents-in-law. The bill makes similar changes regarding who may be covered by a long-term care insurance program established by the Public Employees Retirement System.

The changes in the state employees long-term care insurance program apply to premiums paid on or after the bill's effective date.

HISTORY

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