

Long-Term-Care Partnership plan's benefits to business

Editor's note: To inquire about submitting a column, contact Managing Editor Mark Reilly at (612) 288-2110 or mreilly@bizjournals.com.

A new Minnesota Long-Term Care (LTC) Partnership plan — offering a number of benefits to Minnesota businesses — received state approval at the end of 2007.

This new plan underscores the importance of having long-term-care insurance as a part of one's financial and retirement plan.

Not only can long-term-care insurance be a great way to recruit, reward and retain employees and managers, it also is an effective strategy for businesses to reduce their risks and protect their assets, particularly small businesses.



Strategies

Debra Newman

New plan offers greater control

The Minnesota Long Term Care Partnership is a public/private arrangement between long-term care insurers and Minnesota's Medical Assistance program, according to the Minnesota Department of Human Services (DHS).

It enables Minnesota residents who purchase certain long-term-care insurance to have more of their assets protected if they later need the state to help pay for their long-term care. Minnesota is using this approach to give individuals greater control over how they finance their long-term care and to help shore up the public-safety net against coming demographic pressures.

Long-term-care services help people perform everyday tasks and include: home health aides, assisted-living and residential-care facilities, hospice home-care programs or facilities, and nursing homes.

History of program

Although the plan is new to Minnesota, it's been tested over the past 20 years in several other states.

The concept of a public-private partnership for long-term care financing was first conceived in the 1980s and piloted in four states — California, Connecticut, Indiana and New York — beginning in the early 1990s.

The 1992 Minnesota Legislature required a feasibility study of the plan. However, subsequent federal law changes made it difficult for new states to enact such plans until the federal 2006 Deficit Reduction Act removed such restrictions.

Increasing life expectancies and costs

Not surprisingly, long-term care costs are increasing along with life expectancies, making long-term-care insurance even more important. The new plan addresses the demographic pressures expected to make the current long-term-care financing system difficult if not impossible to sustain in the future.

Over the next 25 years, the proportion of Minnesotans age 65 and older will nearly double, from 12 percent to 20 percent, according

to the DHS.

More small businesses adding LTC benefit

While many of the initial employers who offered long-term-care insurance were larger employers, the number of smaller businesses adding a long-term care benefit is growing rapidly, according to DHS. Today, more than 50 percent of all employers that offer long-term-care insurance have fewer than 100 employees.

Key benefits

By offering a long-term care insurance program to their employees, companies can realize a number of key benefits including:

- Protecting the value of their business;
- Attracting and retaining good talent;
- Rewarding key managers/employees/executives;
- Positioning the company as a leader in employee benefits;
- Reducing the workplace impact of caregiver demands.

Providing this benefit is also something that business owners can pay for out of business income for themselves and/or their top managers/executives to effectively reward and retain them. The new program also offers tremendous tax advantages to business owners — something that isn't always available with other types of insurance.

A key benefit of the new plan is the "Asset Disregard" feature. This feature allows individuals to protect some of their assets if they need to rely on Medicaid for continued long-term-care services. Individuals can retain assets equal to the amount of benefits they received under their LTC Partnership-qualified long-term-care insurance policy.

The new LTC Partnership plan offers a number of tax advantages to business owners. Employers can offer long-term-care benefits tailor-made for their employees at a relatively low cost. The plan is also 100 percent tax-deductible. That's because the federal tax code allows employers to deduct as a business expense both the cost of setting up a long-term-care plan for their workers and any contribution they make toward tax-qualified long-term care insurance premiums.

Under the Health Insurance Portability and Accountability Act, Congress established that certain long-term-care insurance contracts have a number of favorable tax attributes. They are treated in a similar manner as health insurance. More specifically:

- An employer generally may deduct the premiums it pays for qualified long-term care as a business expense. Corporations and non-for-profit organizations can deduct the premiums for both executives and their spouses.
- Employer-paid premiums are generally excluded from an employee's gross income.
- All or a portion of the amounts received under the long-term-care plan are generally excluded from the recipients' gross income. Benefits are received predominately tax-free.

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