

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1247

2007 HOUSE HUMAN SERVICES

HB 1247

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1247

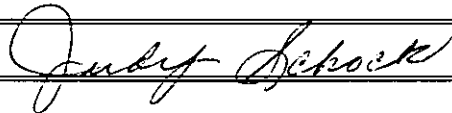
House Human Services Committee

Check here for Conference Committee

Hearing Date: January 16, 2007

Recorder Job Number: 1235

Committee Clerk Signature



Minutes:

Chairman Price: Let's open HB 1247

Representative Todd Porter, District 4 Mandan, ND: This bill is not a new concept. I introduced it last session. It comes out to looking beyond the next two years. The risk that we have as a state in our general Medicaid budget is growing every biennium. We need to take steps to encourage people to insure that risk. Insurance is available as a product that will take some of the risk on the general fund away.

Jim Poolmen, ND Insurance Commissioner: I support HB 1247. One of the reason the fiscal note is 18 million dollars is because of the definition that is included in the bill is related to qualified policy. About 98-99% of the policies that are sold are tax qualified policies. All policies out there would be subject to the tax incentive that is given.

Jonathan Spilde, Marketing Director of SIA Marketing Inc.: See attached testimony.

Norbert Meyer, behalf of ND Association of Insurance and Financial Advisors: See attached testimony. We need qualified plans for people I have sold in the last 2 years. Some plans may need definition t include all people. I am in support of this bill.

Shelly Peterson, President of the ND Long Term Care Association. See attached testimony. We are in support of HB 1247.

Joseph Becker, with the State Tax Department: Just some clarification for the committee

The long form we did away with in 2001 in a chance we simply renamed it. We still have two systems. Short forms have much lower tax rates.

Chairman Price: Any other in favor or opposition of HB 1247? If not we will close HB 1247.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1247

House Human Services Committee

Check here for Conference Committee

Hearing Date: January 16, 2007

Recorder Job Number: 1237

Committee Clerk Signature

Judith Schock

Minutes:

Chairman Price: Take out HB 1247. Let's get some direction from the committee where you want to go.

Committee discusses on being clear on what ever numbers to use, and partnerships. Are we going to give them the higher line of credit?

Some would like to see the short form go thru, but people are not going to buy for the tax break, but for the benefits. People need an incentive to buy long term insurance. Problem is people don't have the money to buy it. We need to concentrate on the partnership plan.

Biggest goal is to get people to buy long term care insurance that will do the job. There are some poor insurance out there that will only pay a small amount.

Representative to work with Commissioner Poolmen.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1247

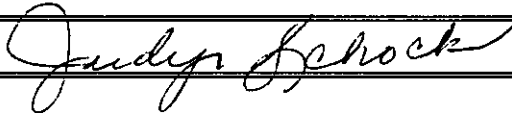
House Human Services Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2083

Committee Clerk Signature



Minutes:

Chairman Price: Committee take out HB 1247.

Representative Porter: goes through the proposed amendments. See attached.

Committee discusses to increase the incentive to purchase long term care insurance.

Representative Porter moves the amendments , seconded by **Representative Hatlestad**

verbal vote is all yeas .**Representative Uglem** moves a do pass as amended

RR/Appropriations, seconded by **Representative Porter**. The vote is 11 yeas 0 nays and 1

absent. **Representative Weisz** will carry the bill to the floor.

FISCAL NOTE
Requested by Legislative Council
01/31/2007

Amendment to: HB 1247

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$7,600,000) | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1247 allows the individual income tax credit for long-term care insurance premiums to be claimed on the state's standard income tax form, Form ND-1. Currently, this credit is only available on the "long form", Form ND-2.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of Engrossed HB 1247 makes the credit available on Form ND-1. Statistics supplied by the Insurance Department indicate there are approx. 38,000 North Dakotans currently covered under long-term care policies.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engrossed HB 1247 is expected to reduce state general fund revenues by \$7.6 million in the 2007-09 biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|----------------------|----------------------|-----------------------|----------------------------|
| Name: | Kathryn L. Strombeck | Agency: | Office of Tax Commissioner |
| Phone Number: | 328-3402 | Date Prepared: | 02/01/2007 |

FISCAL NOTE
Requested by Legislative Council
01/10/2007

Bill/Resolution No.: HB 1247

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | (\$18,700,000) | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1247 increases the income tax credit for long-term care insurance premiums from \$100 to \$250 per insured per tax year. The bill also allows the tax credit - currently allowed only on the "long-form" - to be claimed on the state's standard income tax form, Form ND-1.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1247 increases the maximum tax credit to \$250 per insured individual per tax year, provided the policy is part of a qualified long-term care insurance contract. Section 2 of the bill allows the credit to be claimed on Form ND-1.

Using statistics supplied by the Insurance Department, which indicate approximately 38,000 North Dakotans are covered under long-term care policies, the bill is expected to reduce state general fund revenues by an estimated \$18,700,000 in the 2007-09 biennium. This assumes virtually all of the insured are part of a "tax qualified" insurance contract.

If the "tax qualified" component of HB 1247 means that there are some life insurance policy holders who would also qualify for this tax credit, in addition to the 38,000 long-term care policy holders, the negative fiscal impact would be greater than the amount shown above. Conversely, if a portion of the 38,000 covered by long-term care policies, held policies that were not "tax qualified" contracts, the appropriate tax credit would be the current law amount of \$100 per insured per year, reducing the fiscal impact shown above. These taxpayers would still benefit by the provision allowing the tax credit to be claimed on Form ND-1 however.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

| | | | |
|----------------------|----------------------|-----------------------|----------------------------|
| Name: | Kathryn L. Strombeck | Agency: | Office of Tax Commissioner |
| Phone Number: | 328-3402 | Date Prepared: | 01/15/2007 |

January 29, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1247

Page 1, line 13, remove "or up to two hundred fifty dollars in any"

Page 1, line 14, remove "taxable year for premiums", "a qualified", and "contract"

Page 1, line 19, remove "and qualified long-term care insurance contract coverage"

Renumber accordingly

House Amendments to HB 1247 (70433.0201) - Human Services Committee 01/29/2007

Page 1, line 13, remove "or up to two hundred fifty dollars in any"

Page 1, line 14, remove "taxable year for premiums", remove "a qualified", and remove "contract"

Page 1, line 19, remove "and qualified long-term care insurance contract coverage"

Renumber accordingly

Date: 4/29
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."

House HUMAN SERVICES HB 1347 Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Non Amendment

Motion Made By Rep Porter Seconded By Rep Hatlestad

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------------|-----|----|------------------|-----|----|
| Clara Sue Price - Chairman | | | Kari L Conrad | | |
| Vonnie Pietsch - Vice Chairman | | | Lee Kaldor | | |
| Chuck Damschen | | | Louise Potter | | |
| Patrick R. Hatlestad | | | Jasper Schneider | | |
| Curt Hofstad | | | | | |
| Todd Porter | | | | | |
| Gerry Uglem | | | | | |
| Robin Weisz | | | | | |
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Total (Yes) 21 "Click here to type Yes Vote" No 0 "Click here to type No Vote"

Absent _____

Floor Assignment Rep

If the vote is on an amendment, briefly indicate intent:

Date: 1/29
 Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."

House HUMAN SERVICES HB 1247 Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Move to Pass as Amended RR/app

Motion Made By Rep Uglem Seconded By Rep Porter

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------------|-----|----|------------------|-----|----|
| Clara Sue Price - Chairman | ✓ | | Kari L Conrad | | |
| Vonnie Pietsch - Vice Chairman | ✓ | | Lee Kaldor | ✓ | |
| Chuck Damschen | ✓ | | Louise Potter | ✓ | |
| Patrick R. Hatlestad | ✓ | | Jasper Schneider | ✓ | |
| Curt Hofstad | ✓ | | | | |
| Todd Porter | ✓ | | | | |
| Gerry Uglem | ✓ | | | | |
| Robin Weisz | ✓ | | | | |
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Total (Yes) 4 "Click here to type Yes Vote" No 0 "Click here to type No Vote"

Absent 1

Floor Assignment Rep. Weisz

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1247: Human Services Committee (Rep. Price, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the Appropriations Committee (11 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1247 was placed on the Sixth order on the calendar.

Page 1, line 13, remove "or up to two hundred fifty dollars in any"

Page 1, line 14, remove "taxable year for premiums", remove "a qualified", and remove "contract"

Page 1, line 19, remove "and qualified long-term care insurance contract coverage"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1247

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1247

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 8, 2007

Recorder Job Number: 3240

Committee Clerk Signature

Shirley Branning

Minutes:

Chm. Svedjen called the meeting to order to take up Engrossed House Bill 1247, a bill relating to an income tax credit for long-term care insurance premiums by calling on **Rep. Clara Sue Price**, District 40.

Rep. Price explained the bill as one that has been before the legislature before and this time the question is if the \$100 in income tax credit for the purchase of a long term care plan is viable. There are 38,000 North Dakotans currently carrying a long term care policy.

Rep. Wald: Would this affect new policies or all policies?

Rep. Price: All policies that are in effect at the time you do your income taxes.

Rep. Wald: What are the mechanics, what do I take to my tax preparer?

Rep. Price: The premium notices, basically to show that your policy is in effect.

Rep. Aarsvold: What about joint policies? Is there a \$200 rebate?

Rep. Price: The question has not come up before.

Rep. Wald: In most joint policy contracts, there are usually 2 policy numbers.

Chm. Svedjen: The fiscal note shows we currently have \$38,000 so that's what gets you to \$3.8m per year. Is North Dakota still the leader in insured long term care?

Rep. Price: That is true but we don't know if the old policies meet the needs.

Rep. Wald: It wouldn't be the number of the insured; it would be the percentage of the population. As a percentage of the population we still rank number one.

Rep. Carlisle: Would the idea be to save money down the road?

Rep. Price: Yes, the hope is that it would be an incentive, but is it big enough to have someone buy a \$3,000 policy.

Chm. Svedjen: Is the \$100 sufficient to purchase a policy. The need is greater.

Rep. Kreidt: If individuals have any assets, this is a way to protect yourself. We need to look at the savings to the state 10-20 years from now.

Rep. Glassheim: What is the motivation to the individual, is it to protect their assets?

Chm. Svedjen: It would be protection like any insurance. With long term care policies, there are different levels of coverage. Yes, it protects assets.

Rep. Price: Looking toward the future, there is not Medicaid coverage for some things. With assisted living, home care; it is easier to access one of these policies and have a better choice.

Rep. Monson: This long term care insurance is designed for people who have a lot of money to protect. If you are going to spend \$3000 a year for the premium, \$100 doesn't is hardly a big enough incentive for someone who has \$100s of thousands they want to protect. This may be putting \$100 in the pocket of someone who doesn't need it that bad. I look at \$7.5m in lost revenue, applaud the thought but I don't think it is enough.

Rep. Weiland: This bill could benefit me personally but the real wealthy don't need it, the poor can't afford it. I can't support it because of the fiscal note on it.

Rep. Williams: In my experience, with parents, the \$100 wouldn't have made any difference when my father passed away and it wouldn't make any difference now. On the other side, it would not have helped a relative who was poor and could not afford the insurance. I cannot support it.

Rep. Weiland moved a Do Not Pass to HB 1247. Rep. Skarphol seconded the motion.

The Do Not Pass motion carried by a roll call vote of 20 yea and 3 nay with 1 absent and not voting. Rep. Weiland will be the carrier of the bill.

Date: 2/8/07
 Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1247

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wieland Seconded By Skarphol

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|--------------------------|-----|----|
| Chairman Svedjan | ✓ | | | | |
| Vice Chairman Kempenich | ✓ | | | | |
| Representative Wald | ✓ | | Representative Aarsvold | ✓ | |
| Representative Monson | ✓ | | Representative Gulleason | ✓ | |
| Representative Hawken | ✓ | | | | |
| Representative Klein | ✓ | | | | |
| Representative Martinson | ✓ | | | | |
| Representative Carlson | ✓ | | Representative Glassheim | ✓ | |
| Representative Carlisle | ✓ | | Representative Kroeber | | ✓ |
| Representative Skarphol | ✓ | | Representative Williams | ✓ | |
| Representative Thoreson | ✓ | | | | |
| Representative Pollert | ✓ | | Representative Ekstrom | ✓ | |
| Representative Bellew | | ✓ | Representative Kerzman | | ✓ |
| Representative Kreidt | ✓ | | Representative Metcalf | ✓ | |
| Representative Nelson | ✓ | | | | |
| Representative Wieland | ✓ | | | | |
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| | | | | | |

Total (Yes) 20 No 3

Absent 1

Floor Assignment Wieland

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 8:11 p.m.

Module No: HR-27-2623
Carrier: Wleland
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1247, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends **DO NOT PASS** (20 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1247 was placed on the Eleventh order on the calendar.

2007 TESTIMONY

HB 1247

January 16, 2007

Testimony Before the House Human Services Committee

Chairperson Price, and members of the House Human Services committee, my name is Jonathan Spilde and I am Marketing Director for SIA Marketing, Inc. We are a North Dakota-based national insurance brokerage specializing in Long Term Care insurance education, design, administration, and distribution since 1979. We do business in all 50 states, but our headquarters is right here in Bismarck. I come to you today in support of HB 1247. Moving the existing tax credit from the long form over to the short form is the right thing to do. It is the prudent thing to do. However, I would like to draw the committee's attention to *just one point* in the bill that we believe will foster confusion and unintended marketplace consequences. Only one point, but potentially large and unintended consequences.

My concern is the separation of who gets up to \$100 and who gets up to \$250. I applaud your intent to promote partnerships. They hold great potential, but based on our experiences in other states, there is much yet to be determined and understood about the partnership program. Let's be careful. Let's be cautious. Let's be certain that we do not hurt North Dakotans who had the foresight to purchase their long term care insurance years ago. They purchased at a younger age, thereby "locking in" their premium age with the company. A new policy – a partnership policy - today would cost them significantly more. Let's not – by accident or incentive – send a message that they should replace their existing coverage with a partnership plan. No one wants to see inappropriate replacement of existing coverage.

May I draw your attention to Line 13? Is the answer as simple as placing a period after the word "premiums" in Line 13, then deleting the language that follows through Line 15? That would limit it to \$100 per taxpayer—*regardless of when* they purchased their policy. It's a decidedly smaller amount than \$250, so if possible, perhaps the amount itself could be somewhere in between, if you deem that feasible. The important thing is to keep it an "even playing field".

Thank you for considering this move to the short form. The 40,000 North Dakotans who have already purchased long term care insurance have made an impact. I've been told that for the second biennium, we as a state are budgeting for basically the same number of people on Medicaid. To be precise, only 9 additional people budgeted for Medicaid in a 4-year period. That's amazing. We're on the right track. Let's just stay there.

Let's move ahead with our work on partnership plans. Let's move ahead with HB 1247, with just a small change so we do not appear to penalize those people who had the prudence to purchase a policy earlier and younger...the very people who are now beginning to use their policies rather than spend down assets or turn to Medicaid.

Thank you for your time. I would be happy to answer any questions you might have.

Chairwoman Price and members of the House Human Services Committee. I am Norbert Mayer and am here on behalf of the ND Assn. of Insurance and Financial Advisors to ask for your support of this bill.

In addition to the many reasons already given as to why this Legislation is good for ND I would like to point out that by encouraging more people to purchase long term care insurance coverage we also provide peace of mind to those making the purchase.

When long term care is needed, panic sets in for those who have not made any preparations. The first thought is that now we will have to spend down all of our assets and then in a last ditch effort to save assets they consult an attorney to see what can be done to save their assets. With current laws there is little or nothing left to be done.

For those who gave away assets out right or by irrevocable trust arrangements they often see tensions rising among their children as to how that property is eventually distributed. Situations have changed since the property was given away and now all they can do is sit back and watch as the children quarrel because they have given up all control over property which they worked hard to accumulate.

Life situation, 84 yr. old widow.

By purchasing long term care insurance our ND citizens can have the peace of mind in knowing that they can pay for their long term care and also maintain control of their property until their death.

Thank you for sponsoring this legislation and we ask for your support.

Testimony on HB 1247
House Human Services Committee
January 15, 2007

Chairman Price and members of the House Human Services Committee, thank you for the opportunity to testify on HB 1247. My name is Shelly Peterson, I'm President of the North Dakota Long Term Care Association. We wish to go on record supporting HB 1247.

Medicaid is the largest public source of funding for long term care in the United States and in North Dakota. It is an essential lifeline for the most vulnerable Americans. In 2004, Medicaid paid for 49% of the total amount spent on long term care services in the United States. State financing of long term care costs is a significant issue every legislative session.

We need to improve the financing of long term care and encourage North Dakotans and all Americans to plan for their future. HB 1247 is an incentive and reward for North Dakotans to consider as they plan for their long term care.

For Medicaid to remain sustainable for those who truly need it, we must ensure that others are planning on how they will pay for their long term care. As you are aware, the Deficit Reduction Act (DRA) reforms asset transfer rules and fewer people will be able to give away their assets and qualify for Medicaid.

HB 1247 is an excellent approach to rewarding North Dakotans for properly planning for the long term care needs.

North Dakota has the highest proportion of individuals over the age of 85, the population most in need of long term care. In the next 13 years, we will see an explosion of our aging population. This demographic shift will have a profound affect on our state budget.

Long term care insurance continues to grow as a significant payor source for North Dakotans. Consider this information:

Nursing Facility Care:

35% paid by private pay sources – one of the highest percentages in the United States. Of this percentage, a significant amount appears to be coming from long term care insurance.

Basic Care:

60% paid by private pay sources. Of this amount, 16% pay with a long term care insurance policy.

Assisted Living:

Approximately 100% paid by private pay sources. Long term care insurance is estimated to be the payor source for approximately 15% of the individuals living in assisted living.

| Long Term Care in North Dakota | | | |
|---------------------------------------|-----------------------------|-----------------------------|--|
| <i>Type of Facility</i> | <i>Number of Facilities</i> | <i>Number of Beds/Units</i> | <i>Pay with Long Term Care Insurance</i> |
| Assisted Living | 55 | 1,836 | 15% |
| Basic Care | 54 | 1,511 | 16% |
| Nursing Facilities | 83 | 6,384 | Information Pending |

The more we entice individuals to plan and pay for their own care, the less burden for the state.

Let's continue to send a positive message of planning for long term care. Your consideration of HB 1247 is appreciated.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street
Bismarck, ND 58501
(701) 222-0660
www.ndltca.org