

104TH CONGRESS
1ST SESSION

S. 423

To amend the Internal Revenue Code of 1986 to provide improved access to quality long-term care services, to create incentives for greater private sector participation and personal responsibility in financing such services, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 15 (legislative day, JANUARY 30), 1995

Mr. COHEN introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide improved access to quality long-term care services, to create incentives for greater private sector participation and personal responsibility in financing such services, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Private Long-Term Care Family Protection Act of
6 1995”.

1 (b) TABLE OF CONTENTS.—The table of contents is
 2 as follows:

- Sec. 1. Short title; table of contents.
 Sec. 2. Amendment of 1986 Code.

TITLE I—TAX TREATMENT OF LONG-TERM CARE INSURANCE

- Sec. 101. Qualified long-term care services treated as medical care.
 Sec. 102. Treatment of long-term care insurance.
 Sec. 103. Treatment of qualified long-term care plans.
 Sec. 104. Tax reserves for qualified long-term care insurance policies.
 Sec. 105. Tax treatment of accelerated death benefits under life insurance contracts.
 Sec. 106. Tax treatment of companies issuing qualified accelerated death benefit riders.

TITLE II—STANDARDS FOR LONG-TERM CARE INSURANCE

- Sec. 201. National Long-Term Care Insurance Advisory Council.
 Sec. 202. Additional requirements for issuers of long-term care insurance policies.
 Sec. 203. Coordination with State requirements.
 Sec. 204. Uniform language and definitions.

TITLE III—INCENTIVES TO ENCOURAGE THE PURCHASE OF
 PRIVATE INSURANCE

- Sec. 301. Public information and education program.
 Sec. 302. Assets or resources disregarded under the medicaid program.
 Sec. 303. Distributions from individual retirement accounts for the purchase of long-term care insurance coverage.

TITLE IV—EFFECTIVE DATE

- Sec. 401. Effective date of tax provisions.

3 **SEC. 2. AMENDMENT OF 1986 CODE.**

4 Except as otherwise expressly provided, whenever in
 5 this Act an amendment or repeal is expressed in terms
 6 of an amendment to, or repeal of, a section or other provi-
 7 sion, the reference shall be considered to be made to a
 8 section or other provision of the Internal Revenue Code
 9 of 1986.

1 (b) QUALIFIED LONG-TERM CARE SERVICES DE-
2 FINED.—Section 213 (relating to the deduction for medi-
3 cal, dental, etc., expenses) is amended by adding at the
4 end the following new subsection:

5 “(f) QUALIFIED LONG-TERM CARE SERVICES.—For
6 purposes of this section—

7 “(1) IN GENERAL.—The term ‘qualified long-
8 term care services’ means necessary diagnostic, cur-
9 ing, mitigating, treating, preventive, therapeutic, and
10 rehabilitative services, and maintenance and per-
11 sonal care services (whether performed in a residen-
12 tial or nonresidential setting), which—

13 “(A) are required by an individual during
14 any period the individual is an incapacitated in-
15 dividual (as defined in paragraph (2)),

16 “(B) have as their primary purpose—

17 “(i) the provision of needed assistance
18 with 1 or more activities of daily living (as
19 defined in paragraph (3)), or

20 “(ii) protection from threats to health
21 and safety due to severe cognitive impair-
22 ment, and

23 “(C) are provided pursuant to a continuing
24 plan of care prescribed by a licensed profes-
25 sional (as defined in paragraph (4)).

1 “(2) INCAPACITATED INDIVIDUAL.—The term
2 ‘incapacitated individual’ means any individual who
3 has been certified by a licensed professional as—

4 “(A) being unable to perform, without sub-
5 stantial assistance from another individual, at
6 least 2 activities of daily living (as defined in
7 paragraph (3)),

8 “(B) having moderate cognitive impair-
9 ment as defined by the Secretary in consulta-
10 tion with the Secretary of Health and Human
11 Services, or

12 “(C) having a level of disability similar (as
13 determined by the Secretary in consultation
14 with the Secretary of Health and Human Serv-
15 ices) to the level of disability described in sub-
16 paragraph (A).

17 “(3) ACTIVITIES OF DAILY LIVING.—

18 “(A) IN GENERAL.—Each of the following
19 is an activity of daily living:

20 “(i) Eating.

21 “(ii) Toileting.

22 “(iii) Transferring.

23 “(iv) Bathing.

24 “(v) Dressing.

25 “(vi) Continence.

1 “(B) DEFINITIONS.—For purposes of this
2 paragraph:

3 “(i) EATING.—The term ‘eating’
4 means the process of getting food from a
5 plate or its equivalent into the mouth.

6 “(ii) TOILETING.—The term
7 ‘toileting’ means the act of going to the
8 toilet room for bowel and bladder function,
9 transferring on and off of the toilet, clean-
10 ing oneself after elimination, and arrang-
11 ing clothes.

12 “(iii) TRANSFERRING.—The term
13 ‘transferring’ means the process of getting
14 in and out of bed or in and out of a chair
15 or wheelchair.

16 “(iv) BATHING.—The term ‘bathing’
17 means the overall complex behavior of
18 using water for cleansing the whole body,
19 including cleansing as part of a bath,
20 shower, or sponge bath, getting to, in, and
21 out of a tub or shower, and washing and
22 drying oneself.

23 “(v) DRESSING.—The term ‘dressing’
24 means the overall complex behavior of get-

1 ting clothes from closets and drawers and
2 then getting dressed.

3 “(vi) CONTINENCE.—The term ‘con-
4 tinence’ means the ability to voluntarily
5 control bowel and bladder function and to
6 maintain a reasonable level of personal hy-
7 giene.

8 “(4) LICENSED PROFESSIONAL.—

9 “(A) IN GENERAL.—The term ‘licensed
10 professional’ means—

11 “(i) a physician or registered profes-
12 sional nurse,

13 “(ii) a qualified community care case
14 manager (as defined in subparagraph (B)),
15 or

16 “(iii) any other individual who meets
17 such requirements as may be prescribed by
18 the Secretary after consultation with the
19 Secretary of Health and Human Services.

20 “(B) QUALIFIED COMMUNITY CARE CASE
21 MANAGER.—The term ‘qualified community
22 care case manager’ means an individual or en-
23 tity which—

24 “(i) has experience or has been
25 trained in providing case management

1 services and in preparing individual care
2 plans,

3 “(ii) has experience in assessing indi-
4 viduals to determine their functional and
5 cognitive impairment, and

6 “(iii) meets such requirements as may
7 be prescribed by the Secretary after con-
8 sultation with the Secretary of Health and
9 Human Services.

10 “(5) CERTAIN SERVICES NOT INCLUDED.—The
11 term ‘qualified long-term care services’ shall not in-
12 clude any services provided to an individual—

13 “(A) by a relative (directly or through a
14 partnership, corporation, or other entity) unless
15 the relative is a licensed professional with re-
16 spect to such services, or

17 “(B) by a corporation or partnership which
18 is related (within the meaning of section 267(b)
19 or 707(b)) to the individual.

20 For purposes of this paragraph, the term ‘relative’
21 means an individual bearing a relationship to the in-
22 dividual which is described in paragraphs (1)
23 through (8) of section 152(a).”.

24 (c) TECHNICAL AMENDMENTS.—Paragraph (6) of
25 section 213(d) is amended—

1 (1) by striking “subparagraphs (A) and (B)”
 2 and inserting “subparagraphs (A), (B), and (C)”,
 3 and

4 (2) by striking “paragraph (1)(C) applies” in
 5 subparagraph (A) and inserting “subparagraphs (C)
 6 and (D) of paragraph (1) apply”.

7 **SEC. 102. TREATMENT OF LONG-TERM CARE INSURANCE.**

8 (a) GENERAL RULE.—Chapter 79 (relating to defini-
 9 tions) is amended by inserting after section 7702A the fol-
 10 lowing new section:

11 **“SEC. 7702B. TREATMENT OF LONG-TERM CARE INSUR-**
 12 **ANCE.**

13 “(a) IN GENERAL.—For purposes of this title—

14 “(1) a qualified long-term care insurance policy
 15 (as defined in subsection (b)) shall be treated as an
 16 accident and health insurance contract,

17 “(2) any plan of an employer providing cov-
 18 erage under a qualified long-term care insurance pol-
 19 icy shall be treated as an accident and health plan
 20 with respect to such coverage,

21 “(3) amounts (other than policyholder dividends
 22 (as defined in section 808) or premium refunds) re-
 23 ceived under a qualified long-term care insurance
 24 policy (including nonreimbursement payments de-
 25 scribed in subsection (b)(6)) shall be treated—

1 “(A) as amounts received for personal in-
2 juries and sickness, and

3 “(B) as amounts received for the perma-
4 nent loss of a function of the body and as
5 amounts computed with reference to the nature
6 of injury under section 105(c) to the extent
7 that such amounts do not exceed the dollar
8 amount in effect under subsection (f) for the
9 taxable year,

10 “(4) amounts paid for a qualified long-term
11 care insurance policy described in subsection (b)(11)
12 shall be treated as payments made for insurance for
13 purposes of section 213(d)(1)(D), and

14 “(5) a qualified long-term care insurance policy
15 shall be treated as a guaranteed renewable contract
16 subject to the rules of section 816(e).

17 “(b) QUALIFIED LONG-TERM CARE INSURANCE POL-
18 ICY.—For purposes of this title—

19 “(1) IN GENERAL.—The term ‘qualified long-
20 term care insurance policy’ means any long-term
21 care insurance policy (as defined in paragraph (10))
22 that—

23 “(A) limits benefits under such policy to
24 incapacitated individuals (as defined in section
25 213(f)(2)), and

1 “(B) satisfies the requirements of para-
2 graphs (2) through (9).

3 “(2) PREMIUM REQUIREMENTS.—The require-
4 ments of this paragraph are met with respect to a
5 long-term care insurance policy if such policy pro-
6 vides that premium payments may not be made ear-
7 lier than the date such payments would have been
8 made if the policy provided for level annual pay-
9 ments over the life expectancy of the insured or 20
10 years, whichever is shorter. A policy shall not be
11 treated as failing to meet the requirements of the
12 preceding sentence solely by reason of a provision in
13 the policy providing for a waiver of premiums if the
14 insured becomes an incapacitated individual (as de-
15 fined in section 213(f)(2)).

16 “(3) PROHIBITION OF CASH VALUE.—The re-
17 quirements of this paragraph are met with respect
18 to a long-term care insurance policy if such policy
19 does not provide for a cash value or other money
20 that can be paid, assigned, pledged as collateral for
21 a loan, or borrowed, other than as provided in para-
22 graph (4).

23 “(4) REFUNDS OF PREMIUMS AND DIVI-
24 DENDS.—The requirements of this paragraph are

1 met with respect to a long-term care insurance pol-
2 icy if such policy provides that—

3 “(A) policyholder dividends are required to
4 be applied as a reduction in future premiums or
5 to increase benefits described in subsection
6 (a)(2),

7 “(B) refunds of premiums upon a partial
8 surrender or a partial cancellation are required
9 to be applied as a reduction in future pre-
10 miums, and

11 “(C) any refund on the death of the in-
12 sured, or on a complete surrender or cancella-
13 tion of the policy, cannot exceed the aggregate
14 premiums paid under the policy.

15 Any refund on a complete surrender or cancellation
16 of the policy shall be includable in gross income to
17 the extent that any deduction or exclusion was allow-
18 able with respect to the premiums.

19 “(5) COORDINATION WITH OTHER ENTITLED-
20 MENTS.—The requirements of this paragraph are
21 met with respect to a long-term care insurance pol-
22 icy if such policy does not cover expenses incurred
23 to the extent that such expenses are also covered
24 under title XVIII of the Social Security Act. For
25 purposes of this paragraph, a long-term care insur-

1 ance policy which coordinates expenses incurred
2 under such policy with expenses incurred under title
3 XVIII of such Act shall not be considered to dupli-
4 cate such expenses.

5 “(6) REQUIREMENTS OF MODEL REGULATION
6 AND ACT.—

7 “(A) IN GENERAL.—The requirements of
8 this paragraph are met with respect to a long-
9 term care insurance policy if such policy
10 meets—

11 “(i) MODEL REGULATION.—The fol-
12 lowing requirements of the model regula-
13 tion:

14 “(I) Section 7A (relating to guar-
15 anteed renewal or noncancellability),
16 and the requirements of section 6B of
17 the model Act relating to such section
18 7A.

19 “(II) Section 7B (relating to pro-
20 hibitions on limitations and exclu-
21 sions).

22 “(III) Section 7C (relating to ex-
23 tension of benefits).

1 “(IV) Section 7D (relating to
2 continuation or conversion of cov-
3 erage).

4 “(V) Section 7E (relating to dis-
5 continuance and replacement of poli-
6 cies).

7 “(VI) Section 8 (relating to unin-
8 tentional lapse).

9 “(VII) Section 9 (relating to dis-
10 closure), other than section 9F there-
11 of.

12 “(VIII) Section 10 (relating to
13 prohibitions against post-claims un-
14 derwriting).

15 “(IX) Section 11 (relating to
16 minimum standards).

17 “(X) Section 12 (relating to re-
18 quirement to offer inflation protec-
19 tion), except that any requirement for
20 a signature on a rejection of inflation
21 protection shall permit the signature
22 to be on an application or on a sepa-
23 rate form.

24 “(XI) Section 23 (relating to pro-
25 hibition against preexisting conditions

1 and probationary periods in replace-
2 ment policies or certificates).

3 “(ii) MODEL ACT.—The following re-
4 quirements of the model Act:

5 “(I) Section 6C (relating to pre-
6 existing conditions).

7 “(II) Section 6D (relating to
8 prior hospitalization).

9 “(B) DEFINITIONS.—For purposes of this
10 paragraph—

11 “(i) MODEL PROVISIONS.—The terms
12 ‘model regulation’ and ‘model Act’ mean
13 the long-term care insurance model regula-
14 tion, and the long-term care insurance
15 model Act, respectively, promulgated by
16 the National Association of Insurance
17 Commissioners (as adopted in January of
18 1993).

19 “(ii) COORDINATION.—Any provision
20 of the model regulation or model Act listed
21 under clause (i) or (ii) of subparagraph
22 (A) shall be treated as including any other
23 provision of such regulation or Act nec-
24 essary to implement the provision.

1 “(7) TAX DISCLOSURE REQUIREMENT.—The re-
2 quirement of this paragraph is met with respect to
3 a long-term care insurance policy if such policy
4 meets the requirements of section 4980C(d)(1).

5 “(8) NONFORFEITURE REQUIREMENTS.—

6 “(A) IN GENERAL.—The requirements of
7 this paragraph are met with respect to a long-
8 term care insurance policy, if the issuer of such
9 policy offers to the policyholder, including any
10 group policyholder, a nonforfeiture provision
11 meeting the requirements specified in subpara-
12 graph (B).

13 “(B) REQUIREMENTS OF PROVISION.—The
14 requirements specified in this subparagraph are
15 as follows:

16 “(i) The nonforfeiture provision shall
17 be appropriately captioned.

18 “(ii) The nonforfeiture provision shall
19 provide for a benefit available in the event
20 of a default in the payment of any pre-
21 miums and the amount of the benefit may
22 be adjusted subsequent to being initially
23 granted only as necessary to reflect
24 changes in claims, persistency, and interest
25 as reflected in changes in rates for pre-

1 mium paying policies approved by the Sec-
2 retary for the same policy form.

3 “(iii) The nonforfeiture provision shall
4 provide at least 1 of the following:

5 “(I) Reduced paid-up insurance.

6 “(II) Extended term insurance.

7 “(III) Shortened benefit period.

8 “(IV) Other similar offerings ap-
9 proved by the Secretary.

10 “(9) RATE STABILIZATION.—

11 “(A) IN GENERAL.—The requirements of
12 this paragraph are met with respect to a long-
13 term care insurance policy, including any group
14 master policy, if—

15 “(i) such policy contains the minimum
16 rate guarantees specified in subparagraph
17 (B), and

18 “(ii) the issuer of such policy meets
19 the requirements specified in subparagraph
20 (C).

21 “(B) MINIMUM RATE GUARANTEES.—The
22 minimum rate guarantees specified in this sub-
23 paragraph are as follows:

1 “(i) Rates under the policy shall be
2 guaranteed for a period of at least 3 years
3 from the date of issue of the policy.

4 “(ii) After the expiration of the 3-year
5 period required under clause (i), any rate
6 increase shall be guaranteed for a period of
7 at least 2 years from the effective date of
8 such rate increase.

9 “(iii) In the case of any individual age
10 75 or older who has maintained coverage
11 under a long-term care insurance policy for
12 10 years, rate increases under such policy
13 shall not exceed 10 percent in any 12-
14 month period.

15 “(C) INCREASES IN PREMIUMS.—The re-
16 quirements specified in this subparagraph are
17 as follows:

18 “(i) IN GENERAL.—If an issuer of a
19 long-term care insurance policy, including
20 any group master policy, plans to increase
21 the premium rates for a policy, such issuer
22 shall, at least 90 days before the effective
23 date of the rate increase, offer to each in-
24 dividual policyholder under such policy the
25 option to remain insured under the policy

1 at a reduced level of benefits that main-
2 tains the premium rate at the rate in effect
3 on the day before the effective date of the
4 rate increase.

5 “(ii) INCREASES OF MORE THAN 50
6 PERCENT.—If an issuer of a long-term
7 care insurance policy, including any group
8 master policy, increases premium rates for
9 a policy by more than 50 percent in any 3-
10 year period—

11 “(I) in the case of an individual
12 long-term care insurance policy, the
13 issuer shall discontinue issuing all in-
14 dividual long-term care policies in any
15 State in which the issuer issues such
16 policy for a period of 2 years from the
17 effective date of such premium in-
18 crease, and

19 “(II) in the case of a group mas-
20 ter long-term care insurance policy,
21 the issuer shall discontinue issuing all
22 group master long-term care insur-
23 ance policies in any State in which the
24 issuer issues such policy for a period

1 of 2 years from the effective date of
2 such premium increase.

3 This clause shall apply to any issuer of
4 long-term care insurance policies or any
5 other person that purchases or otherwise
6 acquires any long-term care insurance poli-
7 cies from another issuer or person.

8 “(D) MODIFICATIONS OR WAIVERS OF RE-
9 QUIREMENTS.—The Secretary may modify or
10 waive any of the requirements under this para-
11 graph if—

12 “(i) such requirements will adversely
13 affect an issuer’s solvency,

14 “(ii) such modification or waiver is re-
15 quired for the issuer to meet other State or
16 Federal requirements,

17 “(iii) medical developments, new dis-
18 abling diseases, changes in long-term care
19 delivery, or a new method of financing
20 long-term care will result in changes to
21 mortality and morbidity patterns or as-
22 sumptions,

23 “(iv) judicial interpretation of a pol-
24 icy’s benefit features results in unintended
25 claim liabilities, or

1 “(v) in the case of a purchase or other
2 acquisition of long-term care insurance
3 policies of an issuer or other person, the
4 continued sale of other long-term care in-
5 surance policies by the purchasing issuer
6 or person is in the best interests of individ-
7 ual consumers.

8 “(10) LONG-TERM CARE INSURANCE POLICY
9 DEFINED.—

10 “(A) IN GENERAL.—For purposes of this
11 section, the term ‘long-term care insurance pol-
12 icy’ means any product which is advertised,
13 marketed, or offered as long-term care insur-
14 ance (as defined in subparagraph (B)).

15 “(B) LONG-TERM CARE INSURANCE.—

16 “(i) IN GENERAL.—The term ‘long-
17 term care insurance’ means any insurance
18 policy or rider—

19 “(I) advertised, marketed, of-
20 ferred, or designed to provide coverage
21 for not less than 12 consecutive
22 months for each covered person on an
23 expense incurred, indemnity, prepaid
24 or other basis for 1 or more necessary
25 or medically necessary diagnostic, pre-

1 ventive, therapeutic, rehabilitative,
2 maintenance, or personal care services
3 provided in a setting other than an
4 acute care unit of a hospital, and

5 “(II) issued by insurers, fraternal
6 benefit societies, nonprofit health, hos-
7 pital, and medical service corpora-
8 tions, prepaid health plans, health
9 maintenance organizations or any
10 similar organization to the extent such
11 organizations are otherwise authorized
12 to issue life or health insurance.

13 Such term includes group and individual annu-
14 ities and life insurance policies or riders which
15 provide directly or which supplement long-term
16 care insurance and includes a policy or rider
17 which provides for payment of benefits based on
18 cognitive impairment or the loss of functional
19 capacity.

20 “(ii) EXCLUSIONS.—The term ‘long-
21 term care insurance’ shall not include—

22 “(I) any insurance policy which
23 is offered primarily to provide basic
24 coverage to supplement coverage
25 under the medicare program under

1 title XVIII of the Social Security Act,
2 basic hospital expense coverage, basic
3 medical-surgical expense coverage,
4 hospital confinement coverage, major
5 medical expense coverage, disability
6 income or related asset-protection cov-
7 erage, accident only coverage, speci-
8 fied disease or specified accident cov-
9 erage, or limited benefit health cov-
10 erage, or

11 “(II) life insurance policies—

12 “(aa) which accelerate the
13 death benefit specifically for 1 or
14 more of the qualifying events of
15 terminal illness or medical condi-
16 tions requiring extraordinary
17 medical intervention or perma-
18 nent institutional confinement,

19 “(bb) which provide the op-
20 tion of a lump-sum payment for
21 such benefits, and

22 “(cc) under which neither
23 such benefits nor the eligibility
24 for the benefits is conditioned

1 upon the receipt of long-term
2 care.

3 “(11) NONREIMBURSEMENT PAYMENTS PER-
4 MITTED.—For purposes of subsection (a)(4), a pol-
5 icy is described in this paragraph if, under the pol-
6 icy, payments are made to (or on behalf of) an in-
7 sured individual on a per diem or other periodic
8 basis without regard to the expenses incurred or
9 services rendered during the period to which the
10 payments relate.

11 “(c) TREATMENT OF LONG-TERM CARE INSURANCE
12 POLICIES.—For purposes of this title, any amount re-
13 ceived or coverage provided under a long-term care insur-
14 ance policy that is not a qualified long-term care insurance
15 policy shall not be treated as an amount received for per-
16 sonal injuries or sickness or provided under an accident
17 and health plan and shall not be treated as excludable
18 from gross income under any provision of this title.

19 “(d) TREATMENT OF COVERAGE PROVIDED AS PART
20 OF A LIFE INSURANCE CONTRACT.—Except as otherwise
21 provided in regulations, in the case of any long-term care
22 insurance coverage provided by rider on a life insurance
23 contract, the following rules shall apply:

1 “(1) IN GENERAL.—This section shall apply as
2 if the portion of the contract providing such cov-
3 erage is a separate contract or policy.

4 “(2) PREMIUMS AND CHARGES FOR LONG-TERM
5 CARE COVERAGE.—Premium payments for long-term
6 care insurance policy coverage and charges against
7 the life insurance contract’s cash surrender value
8 (within the meaning of section 7702(f)(2)(A)) for
9 such coverage, shall be treated as premiums for pur-
10 poses of subsection (b)(2).

11 “(3) APPLICATION OF 7702.—Section
12 7702(c)(2) (relating to the guideline premium limi-
13 tation) shall be applied by increasing, as of any date,
14 the guideline premium limitation with respect to a
15 life insurance contract by an amount equal to—

16 “(A) the sum of any charges (but not pre-
17 mium payments) described in paragraph (2)
18 made to that date under the contract, reduced
19 by

20 “(B) any such charges the imposition of
21 which reduces the premiums paid for the con-
22 tract (within the meaning of section
23 7702(f)(1)).

24 “(4) APPLICATION OF SECTION 213.—No deduc-
25 tion shall be allowed under section 213(a) for

1 charges against the life insurance contract's cash
2 surrender value described in paragraph (2), unless
3 such charges are includable in income as a result of
4 the application of section 72(e)(10) and the coverage
5 provided by the rider is a qualified long-term care
6 insurance policy under subsection (b).

7 For purposes of this subsection, the term 'portion' means
8 only the terms and benefits under a life insurance contract
9 that are in addition to the terms and benefits under the
10 contract without regard to the coverage under a qualified
11 long-term care insurance policy.

12 “(e) EMPLOYER PLANS NOT TREATED AS DE-
13 FERRED COMPENSATION PLANS.—For purposes of this
14 title, a plan of an employer providing coverage under a
15 qualified long-term care insurance policy shall not be
16 treated as a plan which provides for deferred compensa-
17 tion by reason of providing such coverage.

18 “(f) DOLLAR AMOUNT FOR PURPOSES OF GROSS IN-
19 COME EXCLUSION.—

20 “(1) DOLLAR AMOUNT.—

21 “(A) IN GENERAL.—The dollar amount in
22 effect under this subsection shall be \$200 per
23 day.

24 “(B) INFLATION ADJUSTMENTS.—In the
25 case of any taxable year beginning in a calendar

1 year after 1996, the dollar amount contained in
2 subparagraph (A) shall be increased by an
3 amount equal to—

4 “(i) such dollar amount, multiplied by
5 “(ii) the cost-of-living adjustment de-
6 termined under section 1(f)(3) for the cal-
7 endar year in which the taxable year be-
8 gins, by substituting ‘calendar year 1995’
9 for ‘calendar year 1992’ in subparagraph
10 (B) thereof.

11 “(2) AGGREGATION RULE.—For purposes of
12 this subsection, all policies issued with respect to the
13 same taxpayer shall be treated as 1 policy.

14 “(g) REGULATIONS.—The Secretary shall prescribe
15 such regulations as may be necessary to carry out the re-
16 quirements of this section, including regulations to prevent
17 the avoidance of this section by providing long-term care
18 insurance coverage under a life insurance contract and to
19 provide for the proper allocation of amounts between the
20 long-term care and life insurance portions of a contract.”.

21 (b) CLERICAL AMENDMENT.—The table of sections
22 for chapter 79 is amended by inserting after the item re-
23 lating to section 7702A the following new item:

“Sec. 7702B. Treatment of long-term care insurance.”.

24 (c) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply to policies issued after De-
3 cember 31, 1995. Solely for purposes of the preced-
4 ing sentence, a policy issued prior to January 1,
5 1996, that satisfies the requirements of a qualified
6 long-term care insurance policy as set forth in sec-
7 tion 7702B(b) of the Internal Revenue Code of 1986
8 (as added by this section) shall, on and after Janu-
9 ary 1, 1996, be treated as having been issued after
10 December 31, 1995.

11 (2) TRANSITION RULE.—If, after the date of
12 enactment of this Act and before January 1, 1996,
13 a policy providing for long-term care insurance cov-
14 erage is exchanged solely for a qualified long-term
15 care insurance policy (as defined in such section
16 7702B(b)), no gain or loss shall be recognized on
17 the exchange. If, in addition to a qualified long-term
18 care insurance policy, money or other property is re-
19 ceived in the exchange, then any gain shall be recog-
20 nized to the extent of the sum of the money and the
21 fair market value of the other property received. For
22 purposes of this paragraph, the cancellation of a pol-
23 icy providing for long-term care insurance coverage
24 and reinvestment of the cancellation proceeds in a

1 qualified long-term care insurance policy within 60
2 days thereafter shall be treated as an exchange.

3 (3) ISSUANCE OF CERTAIN RIDERS PER-
4 MITTED.—For purposes of determining whether sec-
5 tion 7702 or 7702A of the Internal Revenue Code
6 of 1986 applies to any contract, the issuance, wheth-
7 er before, on, or after December 31, 1995, of a rider
8 on a life insurance contract providing long-term care
9 insurance coverage shall not be treated as a modi-
10 fication or material change of such contract.

11 **SEC. 103. TREATMENT OF QUALIFIED LONG-TERM CARE**
12 **PLANS.**

13 (a) EXCLUSION FROM COBRA CONTINUATION RE-
14 QUIREMENTS.—Subparagraph (A) of section 4980B(f)(2)
15 (defining continuation coverage) is amended by adding at
16 the end the following new sentence: “The coverage shall
17 not include coverage for qualified long-term care services
18 (as defined in section 213(f)).”.

19 (b) BENEFITS INCLUDED IN CAFETERIA PLANS.—
20 Section 125(f) (defining qualified benefits) is amended by
21 adding at the end the following new sentence: “Such term
22 includes coverage under a qualified long-term care insur-
23 ance policy (as defined in section 7702B(b)) which is in-
24 cludible in gross income only because it exceeds the dollar
25 limitation of section 105(c)(2).”.

1 **SEC. 104. TAX RESERVES FOR QUALIFIED LONG-TERM**
2 **CARE INSURANCE POLICIES.**

3 (a) IN GENERAL.—Subparagraph (A) of section
4 807(d)(3) (relating to tax reserve methods) is amended
5 by redesignating clause (iv) as clause (v) and by inserting
6 after clause (iii) the following new clause:

7 “(iv) QUALIFIED LONG-TERM CARE
8 INSURANCE POLICIES.—In the case of any
9 qualified long-term care insurance policy
10 (as defined in section 7702B(b)), a 1 year
11 full preliminary term method, as prescribed
12 by the National Association of Insurance
13 Commissioners.”.

14 (b) CONFORMING AMENDMENTS.—Section
15 807(d)(3)(A) (relating to tax reserve methods), is amend-
16 ed—

17 (1) in clause (v), as redesignated by subsection
18 (a), by striking “or (iii)” each place it appears and
19 inserting “(iii), or (iv)”; and

20 (2) in clause (iii), by inserting “(other than a
21 qualified long-term care insurance policy)” after “in-
22 surance contract”.

1 **SEC. 105. TAX TREATMENT OF ACCELERATED DEATH BENE-**
2 **FITS UNDER LIFE INSURANCE CONTRACTS.**

3 Section 101 (relating to certain death benefits) is
4 amended by adding at the end the following new sub-
5 section:

6 “(g) TREATMENT OF CERTAIN ACCELERATED
7 DEATH BENEFITS.—

8 “(1) IN GENERAL.—For purposes of this sec-
9 tion, any amount distributed to an individual under
10 a life insurance contract on the life of an insured
11 who is a terminally ill individual (as defined in para-
12 graph (3)) shall be treated as an amount paid by
13 reason of the death of such insured.

14 “(2) NECESSARY CONDITIONS.—

15 “(A) IN GENERAL.—Paragraph (1) shall
16 not apply to any distribution unless—

17 “(i) the distribution is not less than
18 the present value (determined under sub-
19 paragraph (B)) of the reduction in the
20 death benefit otherwise payable in the
21 event of the death of the insured, and

22 “(ii) the percentage derived by divid-
23 ing the cash surrender value of the con-
24 tract, if any, immediately after the dis-
25 tribution by the cash surrender value of
26 the contract immediately before the dis-

1 tribution is equal to or greater than the
2 percentage derived by dividing the death
3 benefit immediately after the distribution
4 by the death benefit immediately before the
5 distribution.

6 “(B) REDUCTION VALUE.—The present
7 value of the reduction in the death benefit oc-
8 curring by reason of the distribution shall be
9 determined by—

10 “(i) using as the discount rate a rate
11 not in excess of the highest rate set forth
12 in subparagraph (C), and

13 “(ii) assuming that the death benefit
14 (or the portion thereof) would have been
15 paid at the end of a period that is no more
16 than the insured’s life expectancy from the
17 date of the distribution or 12 months,
18 whichever is shorter.

19 “(C) RATES.—The rates set forth in this
20 subparagraph are the following:

21 “(i) the 90-day Treasury bill yield,

22 “(ii) the rate described as Moody’s
23 Corporate Bond Yield Average-Monthly
24 Average Corporates as published by
25 Moody’s Investors Service, Inc., or any

1 successor thereto, for the calendar month
2 ending 2 months before the date on which
3 the rate is determined,

4 “(iii) the rate used to compute the
5 cash surrender values under the contract
6 during the applicable period plus 1 percent
7 per annum, and

8 “(iv) the maximum permissible inter-
9 est rate applicable to policy loans under
10 the contract.

11 “(3) TERMINALLY ILL INDIVIDUAL.—For pur-
12 poses of this subsection, the term ‘terminally ill indi-
13 vidual’ means an individual who, as determined by
14 the insurer on the basis of an acceptable certifi-
15 cation by a licensed physician, has an illness or
16 physical condition which can reasonably be expected
17 to result in death within 12 months of the date of
18 certification.

19 “(4) APPLICATION OF SECTION 72(e)(10).—For
20 purposes of section 72(e)(10) (relating to the treat-
21 ment of modified endowment contracts), section
22 72(e)(4)(A)(i) shall not apply to distributions de-
23 scribed in paragraph (1).”.

1 **SEC. 106. TAX TREATMENT OF COMPANIES ISSUING QUALI-**
2 **FIED ACCELERATED DEATH BENEFIT RID-**
3 **ERS.**

4 (a) QUALIFIED ACCELERATED DEATH BENEFIT RID-
5 ERS TREATED AS LIFE INSURANCE.—Section 818 (relat-
6 ing to other definitions and special rules) is amended by
7 adding at the end the following new subsection:

8 “(g) QUALIFIED ACCELERATED DEATH BENEFIT
9 RIDERS TREATED AS LIFE INSURANCE.—For purposes of
10 this part—

11 “(1) IN GENERAL.—Any reference to a life in-
12 surance contract shall be treated as including a ref-
13 erence to a qualified accelerated death benefit rider
14 on such contract.

15 “(2) QUALIFIED ACCELERATED DEATH BENE-
16 FIT RIDERS.—For purposes of this subsection, the
17 term ‘qualified accelerated death benefit rider’
18 means any rider on a life insurance contract which
19 provides for a distribution to an individual upon the
20 insured becoming a terminally ill individual (as de-
21 fined in section 101(g)(3)).”.

22 (b) DEFINITIONS OF LIFE INSURANCE AND MODI-
23 FIED ENDOWMENT CONTRACTS.—Paragraph (5)(A) of
24 section 7702(f) (defining qualified additional benefits) is
25 amended by striking “or” at the end of clause (iv), by

1 redesignating clause (v) as clause (vi), and by inserting
2 after clause (iv) the following new clause:

3 “(v) any qualified accelerated death
4 benefit rider (as defined in section 818(g)),
5 or”.

6 (c) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendments made by
8 this section shall apply to contracts issued after
9 December 31, 1995.

10 (2) TRANSITIONAL RULE.—For purposes of de-
11 termining whether section 7702 or 7702A of the In-
12 ternal Revenue Code of 1986 applies to any con-
13 tract, the issuance, whether before, on, or after De-
14 cember 31, 1995, of a rider on a life insurance con-
15 tract permitting the acceleration of death benefits
16 (as described in section 101(g) of such Code (as
17 added by section 105)) shall not be treated as a
18 modification or material change of such contract.

19 **TITLE II—STANDARDS FOR** 20 **LONG-TERM CARE INSURANCE**

21 **SEC. 201. NATIONAL LONG-TERM CARE INSURANCE ADVI-** 22 **SORY COUNCIL.**

23 (a) IN GENERAL.—Congress shall appoint an advi-
24 sory board to be known as the National Long-Term Care

1 Insurance Advisory Council (hereafter referred to in this
2 title as the “Advisory Council”).

3 (b) MEMBERSHIP.—The Advisory Council shall con-
4 sist of 5 members, each of whom has substantial expertise
5 in matters relating to the provision and regulation of long-
6 term care insurance or long-term care financing and deliv-
7 ery systems.

8 (c) DUTIES.—The Advisory Council shall—

9 (1) provide advice, recommendations on the im-
10 plementation of standards for long-term care insur-
11 ance, and assistance to Congress on matters relating
12 to long-term care insurance as specified in this sec-
13 tion and as otherwise required by the Secretary of
14 Health and Human Services;

15 (2) collect, analyze, and disseminate informa-
16 tion relating to long-term care insurance in order to
17 increase the understanding of insurers, providers,
18 consumers, and regulatory bodies of the issues relat-
19 ing to, and to facilitate improvements in, such insur-
20 ance;

21 (3) develop educational models to inform the
22 public on the risks of incurring long-term care ex-
23 penses and private financing options available to
24 them; and

1 (4) monitor the development of the long-term
2 care insurance market and advise Congress concern-
3 ing the need for statutory changes.

4 (d) ADMINISTRATION.—In order to carry out its re-
5 sponsibilities under this section, the Advisory Council is
6 authorized to—

7 (1) consult individuals and public and private
8 entities with experience and expertise in matters re-
9 lating to long-term care insurance;

10 (2) conduct meetings and hold hearings;

11 (3) conduct research (either directly or under
12 grant or contract);

13 (4) collect, analyze, publish, and disseminate
14 data and information (either directly or under grant
15 or contract); and

16 (5) develop model formats and procedures for
17 insurance products, and develop proposed standards,
18 rules and procedures for regulatory programs, as
19 appropriate.

20 (e) AUTHORIZATION OF APPROPRIATIONS.—There
21 are authorized to be appropriated, for activities of the Ad-
22 visory Council, \$1,500,000 for fiscal year 1996, and each
23 subsequent year.

1 **SEC. 202. ADDITIONAL REQUIREMENTS FOR ISSUERS OF**
2 **LONG-TERM CARE INSURANCE POLICIES.**

3 (a) IN GENERAL.—Chapter 43 is amended by adding
4 at the end the following new section:

5 **“SEC. 4980C. FAILURE TO MEET REQUIREMENTS FOR**
6 **QUALIFIED LONG-TERM CARE INSURANCE**
7 **POLICIES.**

8 “(a) GENERAL RULE.—There is hereby imposed on
9 the issuer of any qualified long-term care insurance policy
10 with respect to which any requirement of subsection (c)
11 or (d) is not met a tax in the amount determined under
12 subsection (b).

13 “(b) AMOUNT OF TAX.—

14 “(1) IN GENERAL.—

15 “(A) PER POLICY.—The amount of the tax
16 imposed by subsection (a) shall be \$100 per
17 policy for each day any requirement of sub-
18 section (c) or (d) is not met with respect to the
19 policy.

20 “(B) LIMITATIONS.—

21 “(i) PER CARRIER.—The amount of
22 the tax imposed under subparagraph (A)
23 against any insurance carrier, association,
24 or any subsidiary thereof, shall not exceed
25 \$25,000 per policy.

1 “(ii) PER AGENT.—The amount of the
2 tax imposed under subparagraph (A)
3 against insurance agent or broker shall not
4 exceed \$15,000 per policy.

5 “(2) WAIVER.—In the case of a failure which is
6 due to reasonable cause and not to willful neglect,
7 the Secretary may waive part or all of the tax im-
8 posed by subsection (a) to the extent that payment
9 of the tax would be excessive relative to the failure
10 involved.

11 “(c) ADDITIONAL RESPONSIBILITIES.—The require-
12 ments of this subsection with respect to any qualified long-
13 term care insurance policy are as follows:

14 “(1) REQUIREMENTS OF MODEL PROVISIONS.—

15 “(A) MODEL REGULATION.—The following
16 requirements of the model regulation shall be
17 met:

18 “(i) Section 13 (relating to application
19 forms and replacement coverage).

20 “(ii) Section 14 (relating to reporting
21 requirements), except that the issuer shall
22 also report at least annually the number of
23 claims denied during the reporting period
24 for each class of business (expended as a
25 percentage of claims denied), other than

1 claims denied for failure to meet the wait-
2 ing period or because of any applicable
3 preexisting condition.

4 “(iii) Section 20 (relating to filing re-
5 quirements for marketing).

6 “(iv) Section 21 (relating to standards
7 for marketing), including inaccurate com-
8 pletion of medical histories, other than sec-
9 tions 21C(1) and 21C(6) thereof, except
10 that—

11 “(I) in addition to such require-
12 ments, no person shall, in selling or
13 offering to sell a qualified long-term
14 care insurance policy, misrepresent a
15 material fact; and

16 “(II) no such requirements shall
17 include a requirement to inquire or
18 identify whether a prospective appli-
19 cant or enrollee for qualified long-
20 term care insurance has accident and
21 sickness insurance.

22 “(v) Section 22 (relating to appro-
23 priateness of recommended purchase).

24 “(vi) Section 24 (relating to standard
25 format outline of coverage).

1 “(vii) Section 25 (relating to require-
2 ment to deliver shopper’s guide).

3 “(B) MODEL ACT.—The following require-
4 ments of the model Act must be met:

5 “(i) Section 6F (relating to right to
6 return), except that such section shall also
7 apply to denials of applications and any re-
8 fund shall be made within 30 days of the
9 return or denial.

10 “(ii) Section 6G (relating to outline of
11 coverage).

12 “(iii) Section 6H (relating to require-
13 ments for certificates under group plans).

14 “(iv) Section 6I (relating to policy
15 summary).

16 “(v) Section 6J (relating to monthly
17 reports on accelerated death benefits).

18 “(vi) Section 7 (relating to incontest-
19 ability period).

20 “(C) DEFINITIONS.—For purposes of this
21 paragraph, the terms ‘model regulation’ and
22 ‘model Act’ have the meanings given such terms
23 by section 7702B(b)(6)(B).

24 “(2) DELIVERY OF POLICY.—If an application
25 for a qualified long-term care insurance policy (or

1 for a certificate under a group qualified long-term
2 care insurance policy) is approved, the issuer shall
3 deliver to the applicant (or policyholder or certifi-
4 cate-holder) the policy (or certificate) of insurance
5 not later than 30 days after the date of the ap-
6 proval.

7 “(3) INFORMATION ON DENIALS OF CLAIMS.—
8 If a claim under a qualified long-term care insurance
9 policy is denied, the issuer shall, within 60 days of
10 the date of a written request by the policyholder or
11 certificate-holder (or representative)—

12 “(A) provide a written explanation of the
13 reasons for the denial, and

14 “(B) make available all information di-
15 rectly relating to such denial.

16 “(d) DISCLOSURE.—The requirements of this sub-
17 section are met with respect to any qualified long-term
18 care insurance policy if the following statement is promi-
19 nently displayed on the front page of the policy and in
20 the outline of coverage required under subsection
21 (c)(1)(B)(ii):

22 ““This is a federally qualified long-term care in-
23 surance contract. The policy meets all the Federal
24 consumer protection standards necessary to receive

1 favorable tax treatment under section 7702B(b) of
2 the Internal Revenue Code of 1986.’.

3 “(e) QUALIFIED LONG-TERM CARE INSURANCE POL-
4 ICY DEFINED.—For purposes of this section, the term
5 ‘qualified long-term care insurance policy’ has the mean-
6 ing given such term by section 7702B(b).”.

7 (b) CONFORMING AMENDMENT.—The table of sec-
8 tions for chapter 43 is amended by adding at the end the
9 following new item:

“Sec. 4980C. Failure to meet requirements for long-term care in-
surance policies.”.

10 **SEC. 203. COORDINATION WITH STATE REQUIREMENTS.**

11 Nothing in this title shall be construed as preventing
12 a State from applying standards that provide greater pro-
13 tection of policyholders of qualified long-term care insur-
14 ance policies (as defined in section 7702B(b) of the Inter-
15 nal Revenue Code of 1986 (as added by section 102)).

16 **SEC. 204. UNIFORM LANGUAGE AND DEFINITIONS.**

17 (a) IN GENERAL.—Not later than June 30, 1996, the
18 Advisory Council shall promulgate standards for the use
19 of uniform language and definitions in qualified long-term
20 care insurance policies (as defined in section 7702B(b) of
21 the Internal Revenue Code of 1986 (as added by section
22 102)).

23 (b) VARIATIONS.—Standards under subsection (a)
24 may permit the use of nonuniform language to the extent

1 required to take into account differences among States in
2 the licensing of nursing facilities and other providers of
3 long-term care.

4 **TITLE III—INCENTIVES TO EN-**
5 **COURAGE THE PURCHASE OF**
6 **PRIVATE INSURANCE**

7 **SEC. 301. PUBLIC INFORMATION AND EDUCATION PRO-**
8 **GRAM.**

9 (a) IN GENERAL.—The Secretary of Health and
10 Human Services shall establish a program designed to
11 educate individuals regarding—

12 (1) the risk of incurring catastrophic long-term
13 care costs;

14 (2) the coverage or lack of coverage of such
15 costs through Federal programs;

16 (3) the importance of planning for such costs;
17 and

18 (4) the benefits of securing long-term care in-
19 surance coverage.

20 (b) AUTHORIZATION OF APPROPRIATIONS.—There
21 are authorized to be appropriated such sums as may be
22 necessary to carry out the purposes of this section.

23 **SEC. 302. ASSETS OR RESOURCES DISREGARDED UNDER**
24 **THE MEDICAID PROGRAM.**

25 (a) MEDICAID ESTATE RECOVERIES.—

1 (1) IN GENERAL.—Section 1917(b) of the So-
2 cial Security Act (42 U.S.C. 1396p(b)) is
3 amended—

4 (A) in paragraph (1), by striking subpara-
5 graph (C);

6 (B) in paragraph (3), by striking “(other
7 than paragraph (1)(C))”; and

8 (C) in paragraph (4)(B), by striking “(and
9 shall include, in the case of an individual to
10 whom paragraph (1)(C)(i) applies)”.

11 (2) EFFECTIVE DATE.—Section 1917(b) of the
12 Social Security Act (42 U.S.C. 1396p(b)) shall be
13 applied and administered as if the provisions strick-
14 en by paragraph (1) had not been enacted.

15 (b) REPORTING REQUIREMENTS FOR CERTAIN
16 ASSET PROTECTION PROGRAMS.—Section 1902 of the So-
17 cial Security Act (42 U.S.C. 1396a) is amended by adding
18 at the end the following new subsection:

19 “(aa)(1) The Secretary shall not approve any State
20 plan amendment providing for an asset protection pro-
21 gram (as described in paragraph (2)) unless the State re-
22 quires all insurers participating in such program to submit
23 reports to the State and the Secretary at such times, and
24 containing such information, as the Secretary determines
25 appropriate. The information included in the reports re-

1 quired to be submitted under the preceding sentence shall
2 be submitted in accordance with the data standards estab-
3 lished by the Secretary under paragraph (3).

4 “(2) An asset protection program described in this
5 paragraph is a program under which an individual’s assets
6 and resources are disregarded for purposes of the program
7 under this title—

8 “(A) to the extent that payments are made
9 under a qualified long-term care insurance policy (as
10 defined in section 7702B(b) of the Internal Revenue
11 Code of 1986); or

12 “(B) because an individual has received (or is
13 entitled to receive) benefits under a qualified long-
14 term care insurance policy (as defined in section
15 7702B(b) of such Code).

16 “(3)(A) Not later than 90 days after the date of the
17 enactment of the Private Long-Term Care Family Protec-
18 tion Act of 1995, the Secretary shall select data standards
19 for the information required to be included in reports sub-
20 mitted in accordance with paragraph (1). Such data
21 standards shall be selected from the data standards in-
22 cluded in the Long-Term Care Insurance Uniform Data
23 Set developed by the University of Maryland Center on
24 Aging and Laguna Research Associates, and used by the
25 States of California, Connecticut, Indiana, and New York

1 for reports submitted by insurers under the asset protec-
2 tion programs conducted by such States.

3 “(B) The Secretary shall modify the standards se-
4 lected under subparagraph (A) as the Secretary deter-
5 mines appropriate.”.

6 **SEC. 303. DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT**
7 **ACCOUNTS FOR THE PURCHASE OF LONG-**
8 **TERM CARE INSURANCE COVERAGE.**

9 (a) EXCLUSION FROM GROSS INCOME FOR CERTAIN
10 INDIVIDUALS.—Subsection (d) of section 408 (relating to
11 tax treatment of distributions from individual retirement
12 accounts) is amended by adding at the end the following
13 new paragraph:

14 “(8) DISTRIBUTIONS TO PURCHASE LONG-TERM
15 CARE INSURANCE.—Paragraph (1) shall not apply to
16 any amount paid or distributed out of an individual
17 retirement account or individual retirement annuity
18 to the individual for whose benefit the account or
19 annuity is maintained if—

20 “(A) the individual has attained age 59½
21 by the date of the payment or distribution, and

22 “(B) the entire amount received (including
23 money and any other property) is used within
24 90 days to purchase a qualified long-term care
25 insurance policy (as defined in section

1 7702B(b)) for the benefit of the individual or
2 the spouse of the individual (if the spouse has
3 attained age 59½ by the date of the payment
4 or distribution).”.

5 (b) NO PENALTY FOR DISTRIBUTIONS.—

6 (1) IN GENERAL.—Subparagraph (B) of section
7 72(t)(2) (relating to distributions from qualified re-
8 tirement plans not subject to 10 percent additional
9 tax) is amended to read as follows:

10 “(B) MEDICAL EXPENSES.—

11 “(i) IN GENERAL.—Distributions
12 made to the employee (other than distribu-
13 tions described in clause (ii) or subpara-
14 graph (A) or (C)) to the extent such dis-
15 tributions do not exceed the amount allow-
16 able as a deduction under section 213 to
17 the employee for amounts paid during the
18 taxable year for medical care (determined
19 without regard to whether the employee
20 itemizes deductions for such taxable year).

21 “(ii) CERTAIN DISTRIBUTIONS TO
22 PURCHASE LONG-TERM CARE INSUR-
23 ANCE.—Distributions made to the taxpayer
24 out of an individual retirement plan if the
25 entire amount received (including money

1 and any other property) is used within 90
2 days to purchase a qualified long-term care
3 insurance policy (as defined in section
4 7702B(b)) for the benefit of the individual
5 or the spouse of the individual.”.

6 (2) CONFORMING AMENDMENT.—Subparagraph
7 (A) of section 72(t)(3) is amended by striking “(B)”
8 and inserting “(B)(i)”.

9 (c) DEDUCTION FOR EXPENSES TO PURCHASE A
10 QUALIFIED LONG-TERM CARE INSURANCE POLICY.—

11 (1) IN GENERAL.—Paragraph (8) of section
12 408(d) (relating to distributions from individual re-
13 tirement accounts to purchase long-term care insur-
14 ance), as added by subsection (a), is amended by
15 adding at the end the following new subparagraph:

16 “(D) APPLICATION OF SECTION 213.—No
17 deduction shall be allowed under section 213(a)
18 for expenses incurred to purchase a qualified
19 long-term care insurance policy (as defined in
20 section 7702B(b)) using amounts paid or dis-
21 tributed out of an individual retirement account
22 or individual retirement annuity in accordance
23 with this paragraph.”.

24 (2) CONFORMING AMENDMENT.—Clause (ii) of
25 section 213(d)(1)(D) (relating to definition of medi-

1 cal care), as added by section 101(a), is amended by
 2 striking “section 7702(d)(4)” and inserting “section
 3 408(d)(8)(D) or section 7702(d)(4)”.

4 **TITLE IV—EFFECTIVE DATE**

5 **SEC. 401. EFFECTIVE DATE OF TAX PROVISIONS.**

6 Except as otherwise provided in this Act, the amend-
 7 ments made by this Act to the Internal Revenue Code of
 8 1986 shall apply to taxable years beginning after Decem-
 9 ber 31, 1995.

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S 423 IS—3

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