H. 166 - Testimony for House Ways & Means Committee, March 31, 2023

Presented by Rep. Kate Lalley

PURPOSE: The bill seeks to re-align the Vermont tax treatment for medical deductions with the Federal tax treatment by <u>reinstating</u> the ability of Vermont residents to deduct medical expenses for entrance fees or monthly payments made to continuing care retirement communities (CCRCs).

- **CCRCs provide housing and access to a spectrum of care in the same community.** If residents need help with the activities of daily living, they can transfer from independent living to assisted living or skilled nursing, all on the same site. CCRCs let relatively healthy seniors relocate once and maintain independence for as long as possible, while anticipating that significant health problems could occur down the line.

- Prior to the tax code change residents who entered Wake Robin gave up what they thought were duplicative long term care policies**.** <u>They cannot get these back.</u> Wake Robin has many retired teachers and civil servants. Aligning the Vermont and Federal exemption would benefit lower income residents most of all.

- **The entrance and monthly fees at CCRCs are the mechanism to provide the equivalent of a 'long term care' policy.**

Broader Benefits

- **Penalizing the CCRC model adds to the cost of healthcare for Vermont seniors**
  - CCRCs reduce hospital stays and cost of providing care to seniors because they provide a place to convalesce, and this results in healthier seniors
  - spending down for pay-as-you-go Assisted Living leads to people outliving their money and relying on family to cover the difference, or going on already burdened Medicaid rolls.
    - Leads to outcomes where seniors in a vulnerable/health precarious circumstances have to leave a familiar setting and friends
    - Increases demand for publicly subsidized nursing care which is already in short supply, and which is intended for low-income Vermonters

- **Re-instating the deduction to residents of CCRCs would ease housing supply.** Lack of "step down" housing causes many Vermont seniors to remain in homes that no longer serve their needs longer than many would otherwise opt to. Recent testimony to the joint housing committee hearing that demand for senior housing is high and growing; there are waiting lists 2-5 years for affordable Cathedral Square senior housing. <u>CCRCs, if deduction were restored, could provide a viable and much needed alternative</u>.
  - Wake Robin experiences a 25-unit annual turnover. People entering the community typically sell a 2-4BR single-family house and use the funds to finance their next phase of life.

- **Restoring the deduction for CCRCs could incentivize more of them to be built in Vermont and this could deliver many benefits, for our growing numbers of seniors looking for housing and for communities.**
    - Encouraging them in rural communities (where most seniors in VT live) amplifies their impact.
    - In addition to enabling people to "age in their community", historic, compact and walkable downtowns support healthy and active senior lifestyles.
    - CCRCs in these settings will bring medical offices staffed with professionals the state struggles to attract to rural Vermont. This can deliver health care more cost-effectively and equitably to Vermonters of all ages.
    - The CCRCs will come with excellent jobs (the model lends itself to on-site daycare too!) which can stabilize rural economies by expanding the local tax base and providing a rationale for new housing in walkable neighborhoods served by transit and accessible to daily needs, all of which can catalyze additional revitalization in rural Vermont.

- **CCRCs provide excellent and stable jobs with good benefits, as employee retention at Wake Robin testifies.**
    - Wake Robin employees over 120 people
    - During the pandemic everyone remained employed, and no one was laid off
    - Not a single case of COVID occurred among Wake Robin residents.

- **CCRCs benefit host communities**. Wake Robin provides around $1 million in property tax revenue to Shelburne (over 1/10 of the town's municipal budget) while its residents impose a minimal 'footprint' on town infrastructure. Some residents pay into the Ed Fund.