into a savings account to provide for your own long-term care. Qualified participants may then make withdrawals from the funds deposited to pay for their long-term care expense. By providing such financial incentives, our citizens will be able to plan for their future, their long-term needs, and will alleviate the demand on Medicaid to pay for those costs associated and with their stays in nursing homes, assisted-living facilities. Indeed, the healthcare costs associated with these facilities represent the largest single category of Medicaid expenditures. As such, I believe LB 965 represents a critical component of the Medicaid reform. Under this act, the Department of Revenue selects a plan administrator who enters into participation agreements with all persons designed to set up a long-term care savings account. All money paid by a participant or another person on behalf of the participant is deposited as received into a participant's separate account. And a participant retains ownership of all deposits made under the agreement until the date of utilization. Each participant participation agreement must provide that the agreement may be cancelled or transferred to a spouse upon the terms set by the plan administrator. The act allows Nebraska taxpayers to contribute a lifetime limit of $165,000 into these accounts, an amount which represents slightly more than the average total cost of care in a long-term facility for a single individual. The lifetime limit is automatically adjusted for inflation as provided in the Internal Revenue Code. A participant's federal adjusted gross income may be reduced by contributions to the plan up to $2,000 per married filing jointly return and $1,000 for another return, as well as any investment earnings made to the extent not deducted for federal tax purposes. These deductions only reflect the amount of state income tax a participant will pay. Once a participant sets aside money into an account, any qualified individual may make withdrawals for long-term care expenses. A qualified individual is defined as a person who turns 65 years or older during the taxable year, or any disabled person who had a medical necessity for long-term care, or a person who turns 62 years age or older during the taxable year who made payments for long-term care insurance during the taxable year. The definition of a qualified individual was defined in large party (sic) by the committee amendments to LB 965, which Senator Landis will describe in