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# A BILL FOR AN ACT

RELATING TO LONG-TERM CARE INSURANCE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that according to the  
2 Hawaii long-term care commission, only a minority of Americans  
3 will ever have private long-term care insurance, even in an  
4 optimistic economic environment. Therefore, an alternative that  
5 matches the mandatory, universal long-term care insurance  
6 programs, such as those in Japan, Germany, the Netherlands, some  
7 parts of Canada, Spain, Scandinavia, and Korea, is to create a  
8 more balanced delivery system for long-term care to all persons  
9 who require it, regardless of their financial need.

10           The legislature also finds that according to advocates of  
11 social insurance, there is no need for a welfare program, such  
12 as medicaid, to be the primary funding source of long-term care.  
13 Rather, a public insurance program designed to provide modest  
14 income support financed through mandatory contributions by the  
15 working-age population would provide a measure of financial  
16 protection for individuals who are uninsurable and require long-  
17 term care. In principle, a proposed public insurance program  
18 would be similar to social security. Much like social security,



1 a public insurance program would not be intended to meet all  
2 long-term care needs, but instead supplement, not replace,  
3 private initiatives such as private long-term care insurance.

4 The legislature has attempted to address the issue of long-  
5 term care since the late 1980s. Act 245, Session Laws of Hawaii  
6 2002, established the Hawaii long-term care financing program to  
7 provide a universal and affordable system of providing long-term  
8 care. The board of trustees established by Act 245 recommended  
9 funding such a program with a mandatory dedicated income tax.

10 In 2003, the legislature passed S.B. No. 1088, C.D. 1, which  
11 would have implemented the design of the long-term care  
12 insurance program and the requisite tax necessary to fund it.  
13 However, the governor vetoed the measure, and the veto was not  
14 overridden.

15 The legislature further finds that providing for and  
16 funding a system of long-term care in the State remains an  
17 important issue. According to the Hawaii long-term care  
18 commission, a limited, mandatory, public long-term care  
19 insurance program may be the only option that will provide  
20 insurance coverage to a large majority of people in Hawaii and  
21 benefit people with a wide range of income and assets. However,  
22 the support for mandatory enrollment in a public long-term care



1 insurance program in Hawaii is low. Therefore, an actuarial  
2 analysis is needed to provide the basis for a determination on a  
3 mandatory tax to implement a limited, mandatory, public long-  
4 term care insurance program.

5 The purpose of this Act is to establish a long-term care  
6 financing task force to expand on prior legislation, including  
7 Act 245, Session Laws of Hawaii 2002, and S.B. 1088, C.D. 1  
8 (2003), ascertain if there is public sentiment for a mandatory  
9 tax to implement a long-term care insurance program for all  
10 residents of the State, and contract for the performance of an  
11 actuarial analysis.

12 SECTION 2. (a) The director of the executive office on  
13 aging shall convene a long-term care financing task force within  
14 thirty days after the effective date of this Act to ascertain if  
15 there is public sentiment for a mandatory tax to implement a  
16 long-term care insurance program for all residents of the State.

17 (b) The task force shall expand on the work of Act 245,  
18 Session Laws of Hawaii 2002, and S.B. 1088, C.D. 1 (2003), and  
19 consider and make recommendations including but not limited to  
20 the following:

21 (1) The premium required to adequately finance various  
22 program designs;



- 1 (2) The minimum and maximum ages for employed persons to  
2 be eligible to enroll;
- 3 (3) The definition of "employment" for the purposes of  
4 determining eligibility;
- 5 (4) The method of collecting the premium;
- 6 (5) The length of covered benefit;
- 7 (6) The amount of cash benefit, whether it should vary by  
8 disability, inflation adjustment over time, and  
9 whether there should be restrictions on its use;
- 10 (7) Whether people need to pay for life, until retired, or  
11 until they have paid for a specified number of years  
12 before becoming eligible for benefits;
- 13 (8) Whether premiums should be level or increase with  
14 inflation over time;
- 15 (9) Whether low-income people should be exempt from  
16 participating or whether there should be some premium  
17 subsidy from general revenues;
- 18 (10) How the program should be administered; and
- 19 (11) Which executive agency should administer this program.
- 20 (c) The task force shall be chaired by the director of the  
21 executive office on aging and be composed of six individuals  
22 from the long-term care community and insurance industry, three



1 of whom shall be selected by the senate president and three of  
2 whom shall be selected by the speaker of the house of  
3 representatives.

4 (d) In carrying out its duties under this section, the  
5 task force may request staff assistance from the department of  
6 health, the department of commerce and consumer affairs, the  
7 department of human services, and other appropriate state and  
8 county executive agencies.

9 (e) The members of the task force shall be exempt from  
10 chapter 84, Hawaii Revised Statutes, and shall not be considered  
11 state employees due to their service on the task force.

12 (f) The members of the task force shall serve without  
13 compensation, but shall be reimbursed for expenses, including  
14 travel expenses, necessary for the performance of their duties.

15 (g) The director of the executive office on aging shall  
16 submit to the legislature no later than twenty days prior to the  
17 convening of the 2014 regular session a report that includes:

- 18 (1) The activities and findings of the task force;
- 19 (2) Findings and recommendations of the actuarial analysis  
20 described in section 3 of this Act; and
- 21 (3) Recommendations, including those listed in subsection  
22 (b), and proposed legislation, if any.



1 (h) The task force shall be dissolved on June 30, 2014.

2 SECTION 3. (a) The long-term care financing task force  
3 shall contract for the performance of an actuarial analysis.  
4 The actuarial analysis shall be prepared by a member of the  
5 American Academy of Actuaries who is a fellow of the Society of  
6 Actuaries.

7 (b) The actuarial analysis shall contain a statement by  
8 the actuary certifying that the techniques and methods used are  
9 generally accepted within the actuarial profession and that the  
10 assumptions and cost estimates used are reasonable. The  
11 analysis shall include:

12 (1) The amount of the mandatory tax required to implement  
13 a mandatory long-term care insurance program in the  
14 State;

15 (2) A statement on whether the mandatory tax should be an  
16 income tax, payroll tax, or dedicated percentage of a  
17 general excise tax;

18 (3) A projection of the amount of benefit each resident of  
19 the State would derive from paying into a trust fund  
20 dedicated to providing long-term care benefits;

21 (4) An estimate on how long the tax would need to be  
22 collected before benefits could be paid out; and



1 (5) An estimate of the likely impact on medicaid roles, if  
2 any.

3 (c) The actuarial analysis shall be completed and  
4 submitted to the director of the executive office on aging by  
5 June 30, 2013. The director of the executive office on aging  
6 shall submit a report, including the director's findings and  
7 recommendations based on the analysis, to the legislature no  
8 later than twenty days prior to the convening of the regular  
9 session of 2014.

10 SECTION 4. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2012-2013 to  
13 provide reimbursements for travel expenses for task force  
14 members and for the performance of an actuarial analysis.

15 The sum appropriated shall be expended by the executive  
16 office on aging of the department of health for the purposes of  
17 this Act.

18 SECTION 5. This Act shall take effect on July 1, 2050.



**Report Title:**

Kupuna Caucus; Task Force; Public Long-term Care Insurance;  
Long-term Care Commission; Appropriation

**Description:**

Establishes a task force to build on prior long-term care legislation and ascertain if there is public sentiment for a mandatory tax to implement a long-term care insurance program for all residents of the State. Requires an actuarial analysis and a report to the legislature. Appropriates funds for reimbursement for travel expenses for task force members and the actuarial analysis. Effective 07/01/2050. (SD2)

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