



**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 29, 2012

TO: The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1689, H.D.1, S.D. 1 - RELATING TO LONG-TERM CARE**

Hearing: Thursday, March 29, 2012; 9:00 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purposes of the bill are: Part I - to implement the long-term care partnership program, allowing individuals to qualify for Medicaid coverage for continued long-term care and exempt assets that would otherwise be counted toward determining eligibility for Medicaid; Part II – to establish a task force to ascertain if there is public sentiment for a mandatory tax to implement a long-term care insurance program for all residents of the State; and Part III – to request the executive office on aging of the department of health to conduct an education and awareness campaign on long-term care and have the campaign evaluated and Part IV – to establish the position of deputy healthcare transformation coordinator.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) respectfully opposes Part I of this bill as these long-term care partnership programs have not been shown to increase the purchase of long-term care insurance or result in Medicaid savings. Instead these programs provide a mechanism for wealthy individuals

to shelter assets in order to become eligible for Medicaid, a publicly funded program intended to serve poor individuals.

The position of the DHS is consistent with that of the Hawaii Long-Term Care Commission (HLTCC), which did not recommend implementation of partnership programs.

Reasons cited include:

- Other states have found that it did not produce the intended results of increasing the number of people who purchased long term care insurance;
- Those that did participate were overwhelmingly affluent and the effect of the program was that it protected the assets of the affluent rather than provide relief to the intended population;

In addition the United States General Accounting Office published a report in June 2007 (GAO-07-231) on the effect of long-term care partnership programs and concluded that these programs do not result in savings for Medicaid. The report's findings included:

- Partnership and traditional long-term care insurance policyholders tend to have higher incomes and more assets at the time they purchase their insurance compared with those without insurance.
- More than half of all households have assets of at least \$350,000 at the time they purchase a Partnership policy.
- Partnership programs are unlikely to result in savings for Medicaid, and may, in fact, increase spending.
- About 20 percent of surveyed Partnership policyholders indicate they would have self-financed their care in the absence of the Partnership program.

This bill does not appear to be an effective way to encourage the purchase of long-term care insurance to reduce Medicaid expenditures. Conversely, it could very well

result in increased Medicaid expenditures. This bill would seem to preserve individual wealth at taxpayer's expense.

The DHS defers to the Executive Office on Aging on Parts II and III of this bill and the Healthcare Transformation Coordinator on Part IV of this bill.

Thank you for the opportunity to testify on this bill.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



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### Committee on Ways and Means

**HB1689, HD1, SD1, Relating to Long-term Care.**

**Testimony of Wes Lum  
Director, Executive Office on Aging  
Attached Agency to Department of Health**

**Thursday, March 29, 2012; Conference Room 211**

**9:00 a.m.**

- 1 **EOA's Position:** The Executive Office on Aging (EOA) supports the intent of this measure,
- 2 provided that its enactment does not reduce or replace priorities within our Supplemental Budget
- 3 Request.
- 4 **Purpose and Justification:** We note that the appropriations in this measure are not part of the
- 5 Governor's Administrative package. Should there be surplus funds available for this measure, we
- 6 would be supportive as we agree with the concept of these initiatives as they are consistent with
- 7 EOA's goals and objectives. If the Legislature deems these programs necessary, EOA respectfully
- 8 requests that the Legislature provide the appropriate resources, rather than supplant existing
- 9 resources, for these proposals. Thank you for the opportunity to testify.

TO : COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

FROM: Eldon L. Wegner, Ph.D.  
POLICY ADVISORY BOARD FOR ELDER AFFAIRS (PABEA)

HEARING: 9: 00 am Thursday, March 29, 2012  
Conference Room 211, Hawaii State Capitol

SUBJECT: HB 1689 HD1 SD1 Relating to Long-Term Care

POSITION: The Policy Advisory Board for Elder Affairs, supports HB 1689 HD1, SD1 with amendments. This bill would implement a long-term care partnership, allowing individuals who purchase private long-term insurance to qualify for Medicaid coverage for continued care prior to exhausting their assets; create a taskforce for a feasibility study on a public long-term care insurance program; ask the Executive Office on Aging to oversee a public education campaign on long-term care issues, and consolidate long-term care services under a single authority and establish a position of deputy healthcare transformation coordinator for this purpose.

#### RATIONALE:

The Policy Board for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on behalf of the Executive Office of Aging.

- We oppose the provision in part 1 of this bill to establish the public-partnership waiver program – which uses Medicaid benefits while protecting assets as an incentive to purchase private long-term insurance. The Long-Term Care Commission decided to note this program as a possible incentive to purchasing private long-term care insurance way of financing long-term care, however, **the Commission decided against recommending this program because it is a misuse of Medicaid and would only benefit affluent persons.**
- Studies in other states which adopted this program found that it did not increase the numbers purchasing private long-term care insurance, thus not serving the intended purpose. Apparently, those who enrolled were persons who would have purchased private insurance regardless of the program.

#### **PABEA Supports the other parts of this bill which implement recommendations of the Long-Term Care Commission.**

- The commission noted that a limited mandatory public long term care insurance program is the only viable means of achieving near-universal coverage for the population. By spreading the cost across the workforce, premiums can be kept low and individuals would be contributing throughout their worklife towards the risk of

needing long-term care. However, the current bill requests funding for the feasibility study and the actuarial analysis in the same year, which is not possible. The actuarial study can be undertaken only after the feasibility study and specific parameters of a proposal have been established. The request and funding for the actuarial study should be omitted for the coming year.

- The Commission research found that the public was highly misinformed about their coverage for long-term care and most had no plans for their future care. The bill asks to Executive Office on Aging to conduct a public awareness campaign to inform the public of the risks of long-term care, motivate residents to plan for future needs, reduce misinformation about who pays for long-term care, and inform them of possible alternatives for financing long-term care.
- The Commission found that long-term care services were fragmented, lacked coordination and accountability and recommended that they be consolidated under a single authority. The bill recommends establishing a position of deputy healthcare transformation coordinator for this purpose.

Thank you for allowing me to testify on this bill.

## PROPOSED AMENDMENT TO HB 1689 HD1 SD1

TO : COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

FROM: Eldon L. Wegner, Ph.D.  
POLICY ADVISORY BOARD FOR ELDER AFFAIRS (PABEA)

HEARING: 9: 00 am Thursday, March 29, 2012  
Conference Room 211, Hawaii State Capitol

SUBJECT: HB 1689 HD1 SD1 Relating to Long-Term Care

The Policy Advisory Board for Elder Affairs (PABEA) proposes the following amendments to HB 1689 HD1 SD1:

1. We **OPPOSE part 1 of this bill which establishes the public-private partnership waiver**. This waiver is likely to increase Medicaid enrollment and allows affluent persons to receive Medicaid benefits. This is a distortion of the purpose of Medicaid to care for the poor. Furthermore, studies in other states have shown that this waiver does not increase purchase of private long-term care insurance but only benefits persons who would have purchased the insurance anyways.
2. We suggest **AMENDING PART 2** of the bill which establishes a taskforce to conduct a feasibility study for a limited mandatory public long-term care insurance program. We suggest **OMITTING THE REQUEST AND FUNDING FOR THE ACTUARIAL STUDY FROM THIS BILL**. The feasibility study needs to address a set of issues, listed in the bill, in developing a specific proposal. It is not feasible to do the actuarial study until this phase of the work is completed. It is not possible to complete both the feasibility study and the actuarial study in the same year. We recommend that the feasibility study and specific proposal be completed in the coming year, and once that is completed, then the legislature should decide whether or not to proceed with the actuarial analysis.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [Tlenzer@hawaii.rr.com](mailto:Tlenzer@hawaii.rr.com)  
**Subject:** Testimony for HB1689 on 3/29/2012 9:00:00 AM  
**Date:** Wednesday, March 28, 2012 8:19:08 AM

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Testimony for WAM 3/29/2012 9:00:00 AM HB1689

Conference room: 211  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Anthony Lenzer, Ph.D  
Organization: Policy Advisory Board for Elder Affairs  
E-mail: [Tlenzer@hawaii.rr.com](mailto:Tlenzer@hawaii.rr.com)  
Submitted on: 3/28/2012

Comments:

The Policy Board for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on behalf of the Executive Office of Aging.

- We oppose the provision in part 1 of this bill to establish the public-partnership waiver program – which uses Medicaid benefits while protecting assets as an incentive to purchase private long-term insurance. The Long-Term Care Commission decided to note this program as a possible incentive to purchasing private long-term care insurance way of financing long-term care, however, the Commission decided against recommending this program because it is a misuse of Medicaid and would only benefit affluent persons.
- Studies in other states which adopted this program found that it did not increase the numbers purchasing private long-term care insurance, thus not serving the intended purpose. Apparently, those who enrolled were persons who would have purchased private insurance regardless of the program.

PABEA Supports the other parts of this bill which implement recommendations of the Long-Term Care Commission.

- The commission noted that a limited mandatory public long term care insurance program is the only viable means of achieving near-universal coverage for the population. By spreading the cost across the workforce, premiums can be kept low and individuals would be contributing throughout their worklife towards the risk of needing long-term care. However, the current bill requests funding for the feasibility study and the actuarial analysis in the same year, which is not possible. The actuarial study can be undertaken only after the feasibility study and specific parameters of a proposal have been established. The request and funding for the actuarial study should be omitted for the coming year.
- The Commission research found that the public was highly misinformed about their coverage for long-term care and most had no plans for their future care. The bill asks to Executive Office on Aging to conduct a public awareness campaign to inform the public of the risks of long-term care, motivate residents to plan for future needs, reduce misinformation about who pays for long-term care, and inform them of possible alternatives for financing long-term care.
- The Commission found that long-term care services were fragmented, lacked coordination and accountability and recommended that they be consolidated under a single authority. The bill recommends establishing a position of deputy healthcare transformation coordinator for this purpose.

Thank you for allowing me to testify on this bill.





To: Committee on Ways and Means  
Senator David Y. Ige, Chair

Date: March 29, 2012, Conference Room 211, 9:00 a.m.

Re: **HB1689 HD1, SD1 – RELATING TO LONG-TERM CARE**

Chair Ige and Committee Members:

AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP **supports** and requests amendments to HB 1689 HD1, SD1 which implements the long-term care (LTC) partnership program; establishes a task force to ascertain if there is public sentiment for a mandatory tax to implement a long-term care insurance program; requires an actuarial analysis; requests the executive office on aging to conduct an education and awareness campaign on long-term care; establishes and directs a long-term care task force to coordinate and consolidate state long-term care programs and services; and establishes the position of deputy healthcare transformation coordinator and appropriates funds.

#### Long-Term Care Financing Task Force

The Hawaii Long-Term Care Commission in its Final Report to the 2012 Hawaii Legislature also recommended "... in principle, that Hawaii establish a limited, mandatory public long-term care insurance program for the working population...".

AARP believes that the long-term care financing task force should be established and report under the office of the Governor, due to the significant impact of its recommendations on Hawaii residents. The Office of the Healthcare Transformation Coordinator that reports directly to the Governor should be responsible for convening and chairing the long-term care financing task force, instead of the Director of the Executive Office on Aging, as specified in this bill.

The Office of the Healthcare Transformation Coordinator should be responsible for taking the necessary steps to study and implement the LTC Commission's recommendations relating to a limited, mandatory, public LTC insurance program.

The long-term care financing task force should consider the approaches included in the Long-Term Care Commission's Final Report to the Hawaii Legislature, dated January 18, 2012. See Addendum A.

#### Public Education and Awareness Campaign

AARP generally believes that a public awareness campaign should be but one of a number of elements of LTC reform in Hawaii. Further we believe that the private and non-profit sectors have a critical and in fact, necessary role for any public education and awareness campaign.

AARP membership surveys showed that approximately 29% of those surveyed were misinformed and thought that LTC services would be paid by Medicare, when in most case it does not. There is no question that elevated public awareness of LTC is essential to solving the LTC problem. Meaningful reform would be difficult without a public that is better informed about LTC risks, costs and availability to themselves and their families.

#### Long-Term Care Task Force/Deputy Healthcare Transformation Coordinator

As reported by the Hawaii LTC Commission in its 2012 Report the primary problem is that “The LTC system in Hawaii is broken.” This bill is a concrete first step towards fixing this problem, as it requires a transitional Deputy Coordinator to coordinate State LTC activities, and establishes a task force to plan for the consolidation of LTC responsibilities in a single agency or department.

One of the most glaring indicators that the system was broken was the Commission's early discovery that no one in the State Government could answer the most elementary of policy questions (e.g., How many people in Hawaii have long-term care problems requiring caregiving?).

After repeated attempts to find answers for this and other questions, the reason became obvious: No state leader was asking questions. What is more, no state leader is charged with the responsibility for asking such questions. The "system" is not just broken. Outside the Medicaid population, no "system" exists for Hawaii's population. There is only a no-man's land, a total void in government's role in long-term care (if any) for well over a million people.

Consolidation of the State's LTC system under single leadership in one agency, within the office of the Governor, will lead to streamlining the Hawaii LTC system, achieving more consistent policymaking and enhanced economies of scale, and simplifying the consumer's experience. The consolidation of operations allows for increased flexibility, particularly when the consolidated agency has budgeting authority to shift funds among LTC services, to increase spending on home and community based services (HCBS), and to improve consumer access to those services. Consolidation, including global budgeting, by giving responsibility for the budget of all LTC programs to a single administrative unit would allow the financing to follow consumers through the system as their needs and preferences change over time.

The appointment of a Deputy Healthcare Transformation Coordinator for LTC within the office of the Healthcare Transformation Coordinator will provide the authority and leadership needed to address the immediate LTC problems. The individual appointed to the Deputy Coordinator position will need executive level leadership skills, experience and ability to coordinate activities with the medical industry, LTC providers, and government agencies.

#### Requested Amendments

AARP requests the following amendments to the bill:

1. Part II, Section 3. (a) The Office of the Healthcare Transformation Coordinator that reports directly to the Governor (~~director of the executive office on aging~~) shall convene a long-term care task force with thirty days after the effective date of this part to ascertain if there is public sentiment for a mandatory tax to implement a long-term care insurance program for all residents of the State.
2. Part II, Section 3. (c) The task force shall be chaired by the Office of the Healthcare Transformation Coordinator that reports directly to the Governor (~~director of the executive office on aging~~) and be composed of six individuals from the long-term care community and insurance industry, three of whom shall be selected by the senate president and three of whom shall be selected by the speaker of the house of representatives.

3. Part II, Section 3. (g) The Office of the Healthcare Transformation Coordinator that reports directly to the Governor (~~director of the executive office on aging~~) shall submit to the legislature no later than twenty days prior to the convening of the 2014 regular session a report that includes:
  - (1) The activities and findings of the task force;
  - (2) Findings and recommendations of the actuarial analysis described in section 3 of this part; and
  - (3) Recommendations, including those listed in subsection (b), and proposed legislation, if any.
4. Add: Part II, Section 4. (d) The long-term care financing task force should consider the approaches included in the Long-Term Care Commission's Final Report to the Hawaii Legislature, dated January 18, 2012. See Addendum A.

Thank you for the opportunity to provide testimony.

Addendum A

The Long-Term Care Commission Report in relevant part, pages 4-5:

***Establish a Limited, Mandatory Public Long-term Care Insurance Program in Hawaii***

Recommendation: The Hawaii Long-Term Care Commission recommends, in principle, that Hawaii establish a limited, mandatory public long-term care insurance program for the working population, which would be funded primarily by premiums rather than state general revenues. Final decisions on whether to implement a program and on the details of the design would depend on additional financial and actuarial analysis, which the Commission was not able to conduct because of time and cost constraints. The final decision on the program design and whether to implement the program will be made by the Legislature and the Governor. ... The Commission offers the following possible approach for consideration:

- The program would be financed by mandatory premiums paid for by the eligible population. The mandatory premium should be very modest, much below typical private long-term care insurance policies. Except for the proposed study and startup costs, no Hawaii general tax revenues would be used.
- The program would be mandatory for employed individuals, including the self-employed, for adults younger than age 60. No medical underwriting would be conducted.
- Participants would have to pay premiums for 10 years before they would be eligible for benefits.
- Eligibility for the benefit would be limited to people with two or more deficits in the activities of daily living (e.g., eating, bathing, and dressing) or moderately severe dementia, as verified by professional staff.
- The benefit period would be limited to 365 consecutive or nonconsecutive days.
- The daily benefit would be \$70 in cash, indexed to increase 5 percent annually. Although the benefit could be used for nursing home care, it is designed primarily to finance home and community-based services.
- Eligibility for benefits would be determined by the Aging and Disability Resource Centers.
- Premiums would be collected through payroll deduction, income tax filings, or periodic invoicing.
- Because the program is mandatory for the eligible population and is publicly run, marketing costs would be low, no profits would be necessary, no taxes would be paid, and no agent commissions would be paid. As a result, administrative costs should be much lower than for private insurance.
- The insurance benefits would not be considered income under the Hawaii income tax and, to the extent possible under federal law, would be excluded from income for federal income tax, Medicaid, and other means-tested programs administered by the state.
- Funds from the proposed public long-term care insurance program may be used to pay the new copayment fees that the Commission proposes for Kupuna Care, which would generate additional revenue for Kupuna Care.

# Hawai'i Alliance for Retired Americans

An affiliate of the Alliance for Retired Americans  
c/o AFSCME · 888 Mililani Street, Suite 101 · Honolulu, Hawaii 96813

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*AFT Hawaii Retirees  
HGEA Retirees  
HSTA – Retired  
ILWU Retirees  
Kokua Council  
Machinists Union Retirees  
UPW Retirees  
ADA/Hawaii  
Hawaii Family Caregivers Coalition  
Kupuna Education Center*

(Submitted by email to: [WAMTestimony@Capitol.hawaii.gov](mailto:WAMTestimony@Capitol.hawaii.gov). March 27, 2012)

Comment of Al Hamai supporting HD1689, HD1, SD1, Relating to Long Term Care

## **Decision Making Of Senate Ways and Means Committee**

**March 29, 2012, 9:00 a.m. Conference Room 211**

Chair David Y. Ige, Vice Chair Michelle N. Kidani and Members of the Committee,

HARA believes that approving HD1689, HD1, SD1 will be a major step in addressing with the long term care challenges of our state. It requests the EOA to conduct a much needed education and awareness program; establishes a task force to determine whether or not there is public support for a mandatory tax to set up a long-term care insurance program for all residents; and establish a task force to coordinate and consolidate state LTC programs and services. As important, this bill also allocates funds for its proposals.

Long term care services and how to pay for them is a major concern for seniors and their families. This bill addresses the LTC challenges.

We urge your Committee to approve HD1689, HD1, SD1.

Mahalo and Aloha.

