



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

TO THE HOUSE COMMITTEES ON CONSUMER PROTECTION & COMMERCE
AND JUDICIARY

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, February 13, 2012
2:15 p.m.

**TESTIMONY ON HOUSE BILL NO. 2696, H.D. 1 – RELATING TO LONG-TERM
CARE INSURANCE.**

TO THE HONORABLE ROBERT N. HERKES AND GILBERT S.C. KEITH-AGARAN,
CHAIRS, AND MEMBERS OF THE COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). House Bill No. 2696, H.D.1 would establish a long term care financing task force to determine the feasibility of establishing and implementing a limited, mandatory public long-term care insurance program. The Department opposes the section of the bill that places responsibility for convening the task force with the Insurance Commissioner. The Insurance Division is willing to assist the task force by assuming a supporting role to, among other things, assist with the determination of the cost of the long-term care benefits.

However, the Commissioner should avoid an apparent conflict that would be created by leading the task force. If the task force's recommendation and result is the creation of a long-term care insurance program that competes with the existing private commercial market, it will impact the existing private marketplace. As the regulator of

the private marketplace, the Commissioner should avoid the potential conflict that would be created by taking the lead in the creation of a non-private entity that will enter the regulated marketplace.

We thank this Committee for the opportunity to present testimony on this matter.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALPI S. LOPEZ
DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, February 13, 2012
2:15 p.m.

TESTIMONY ON HOUSE BILL NO. 2696, H.D. 1 – RELATING TO LONG-TERM CARE INSURANCE.

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). House Bill No. 2696, H.D.1 would establish a long term care financing task force to determine the feasibility of establishing and implementing a limited, mandatory public long-term care insurance program. The Department opposes the section of the bill that places responsibility for convening the task force with the Insurance Commissioner. The Insurance Division is willing to assist the task force by assuming a supporting role to, among other things, assist with the determination of the cost of the long-term care benefits.

However, the Commissioner should avoid an apparent conflict that would be created by leading the task force. If the task force's recommendation and result is the creation of a long-term care insurance program that competes with the existing private commercial market, it will impact the existing private marketplace. As the regulator of

the private marketplace, the Commissioner should avoid the potential conflict that would be created by taking the lead in the creation of a non-private entity that will enter the regulated marketplace.

We thank this Committee for the opportunity to present testimony on this matter.

The Twenty-Sixth Legislature
Regular Session of 2012

HOUSE OF REPRESENTATIVES

Committee on Commerce and Consumer Protection

Rep. Robert N. Herkes, Chair

Rep. Ryan I. Yamane, Vice Chair

State Capitol, Conference Room 325

Monday, February 13, 2012; 2:15 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2696, HD1
RELATING TO LONG-TERM CARE INSURANCE**

The ILWU Local 142 supports H.B. 2696, HD1, which establishes a task force to determine the feasibility of establishing a limited, mandatory, public long-term care insurance program.

The issue of financing long-term care has been studied, discussed, and debated for decades. Yet we are not any closer to a mechanism to provide for financing of long-term care, the cost of which is beyond the reach of most Hawaii residents.

For some seniors, long-term care planning amounts to finding ways to divest themselves of their assets in order to qualify for Medicaid. This becomes a huge burden for the State, which, together with the federal government, must fund Medicaid. Other seniors and their families are simply unaware of the costs associated with long-term care and are shocked and unprepared when they find themselves needing long-term care.

We hope that the task force proposed by H.B. 2696, HD1 will finally come up with a program that will help Hawaii residents with the high cost of long-term care. With that hope, the ILWU urges passage of H.B. 2696, HD1.

Thank you for the opportunity to share our views and concerns.

*Linda J. Posto, LUTCF, LTCP
1585 Kapiolani Blvd., Suite 1604
Honolulu, HI 96814
(808) 942-8817
lposto@aloha.com*

Regarding HB 2696, HD1 ~ To be addressed on Monday, February 13, 2012 at 2:15 pm.

Purpose: To establish a LTC Financing Task Force to determine the feasibility of a limited, mandatory public LTC insurance program.

I write this testimony as one who has personally provided hands-on care for my mother-in-law, who lived with us for 15 years. I also paid for her long term care at an adult residential care home (ARCH) out of my own personal savings for 3 ¼ years, choosing not to request or rely on government funds even though she could have qualified for Medicaid. I have taken personal responsibility to purchase long term care insurance for myself and my husband. And I am a Long Term Care Professional (LTCP) and have been in the insurance industry for 18 years.

The consideration of a mandatory “tax” collected for the purpose of assisting to finance the cost of long term care services when needed has been introduced previously. Each time it has been declined.

No other state has instituted such a mandatory program, which should be an indication of how the American public views such a program.

From the public’s response to the potential CLASS Act (the LTC component of the PPACA) and the decision by the Federal Government to cease pursuing it, we should recognize strong indicators of how a mandatory program within our state would be received and function.

In the 2011 survey conducted by RTI at the request of the Hawaii Long Term Commission, Hawaii residents responded as follows:

- When asked if they would enroll in a CLASS program, only 17.4% said they would enroll.
- When asked if enrollment should be mandatory, only 20.1% said yes.
- When asked if they would favor higher taxes to pay for improved long-term care services, only 29.9% said yes.

These are strong indicators of what the people of Hawaii would, or in this case, would not support. This bill itself acknowledges that support for mandatory enrollment in such a program is low.

Bill SB 2321 states that such a state program would “provide a measure of financial protection for individuals who are uninsurable and require long term care.” Insuring people who already have uninsurable conditions would not allow for long term sustainability of the program. It also speaks of premium subsidy from general revenues, again more tax dollars.

The bill also states that countries including Japan, Germany, the Netherlands, some parts of Canada, Spain, Scandinavia and Korea have mandatory universal long-term care insurance programs. Before becoming too enamored with their plans, we should consider the percent of taxes the citizens of these countries pay as compared to the American public.

The bill speaks of comparing a mandatory public insurance program to Social Security. If we do that, we must also consider that the Social Security funds have been raided on multiple occasions for purposes other than originally intended. Also, there have been abuses and fraud related to some of the benefits received. I would not want a program that, like Social Security, would have such potential results. Medicaid and Medicare, both government programs have their share of abuses as well.

Since these premiums would most likely be collected by employers since this program would be mandatory for working employees, this would mean additional administration and cost to employers, who in this economy are already working very hard to stay in business and be profitable. Businesses have a large stake in the implementation of such a program. Any feasibility study, should it be undertaken, must include consulting business for their most valuable input.

Instituting such a program means bigger government as this state insurance would require additional personnel to administer collection of premiums, investment of premiums, determination of eligibility at claim time, payment of benefits, etc. Now more than ever, we look to reduce government costs rather than increase them.

The aforementioned survey results included 80.4% of respondents favoring tax incentives to encourage the voluntary purchase of private LTC insurance. This is the voice of the people rather than a mandatory program.

I strongly oppose a mandatory public insurance program and ask that this bill not be passed.

Testimony for CPC 2/13/2012 2:15:00 PM HB2696

Conference room: 325

Testifier position: Support

Testifier will be present: No

Submitted by: Eldon L. Wegner

Organization: Policy Advisory Board for Elder Affairs (PABEA)

E-mail: elwegner1@yahoo.com

Submitted on: 2/11/2012

Comments:

Please note the proposed amendment to designate the Executive Office on Aging to be responsible rather than the Insurance Commissioner for the Taskforce.

TO : COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Rep. Robert N. Herkes, Chair
Rep. Ryan I. Yamane, Vice Chair

COMMITTEE ON JUDICIARY
Rep. Gilbert S.C. Keith-Agaran, Chair
Rep. Karl Rhoads, Vice Chair

FROM: Eldon L. Wegner, Ph.D.,
PABEA (Policy Advisory Board for Elder Affairs)

SUBJECT: HB 2696 HD1 Relating to Health

HEARING: 10 am Tuesday, January 31, 2012
Conference Room 329, Hawaii State Capitol

POSITION: The Policy Advisory Board for Elder Affairs **supports the intent** of HB 2696 HD1 which would establish a taskforce to determine the feasibility of creating a limited, mandatory, public long-term care insurance program. We suggest an amendment which would designate the Executive Office on Aging rather than the Insurance Commissioner to be responsible for the taskforce.

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.

The Long-Term Care Commission submitted its recommendations to the Legislature on January 18, 2012. The Commission recommends consideration of a limited mandatory public long term care insurance program as a viable solution to increasing funding for the expanding need for long-term care services and which will provide nearly every Hawaii resident with a limited but meaningful benefit should they face the need for long term care.

- The principle is that individuals need to contribute throughout their productive years towards the risk of facing the unbearable costs of long-term care;
- By making participation mandatory and providing a limited but meaningful benefit, the cost of the premium would be kept extremely modest;
- A benefit, for example of 70 per day for one year, would significantly assist frail persons to remain in their homes and reduce or at least delay the need for enrollment in Medicaid, thus having financial benefits for the family and state;
- Private long-term care insurance would provide supplemental, additional care at lower premiums than today for those who can qualify and can afford to purchase it.

- The Commission report identifies a list of significant issues which need consideration in fashioning a concrete proposal which would be politically viable and financially feasible. This bill would establish the taskforce to undertake this task.
- We suggest that the bill be amended to designate the Executive Office on Aging to be responsible for the Taskforce.

Thank you for the opportunity to provide testimony supporting this bill.

TO : COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Rep. Robert N. Herkes, Chair
Rep. Ryan I. Yamane, Vice Chair

COMMITTEE ON JUDICIARY
Rep. Gilbert S.C. Keith-Agaran, Chair
Rep. Karl Rhoads, Vice Chair

FROM: Eldon L. Wegner, Ph.D.,
PABEA (Policy Advisory Board for Elder Affairs)

SUBJECT: HB 2696 HD1 Relating to Health

HEARING: 10 am Tuesday, January 31, 2012
Conference Room 329, Hawaii State Capitol

Duplicate

POSITION: The Policy Advisory Board for Elder Affairs **supports the intent** of HB 2696 HD1 which would establish a taskforce to determine the feasibility of creating a limited, mandatory, public long-term care insurance program. We suggest an amendment which would designate the Executive Office on Aging rather than the Insurance Commissioner to be responsible for the taskforce.

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.

The Long-Term Care Commission submitted its recommendations to the Legislature on January 18, 2012. The Commission recommends consideration of a limited mandatory public long term care insurance program as a viable solution to increasing funding for the expanding need for long-term care services and which will provide nearly every Hawaii resident with a limited but meaningful benefit should they face the need for long term care.

- The principle is that individuals need to contribute throughout their productive years towards the risk of facing the unbearable costs of long-term care;
- By making participation mandatory and providing a limited but meaningful benefit, the cost of the premium would be kept extremely modest;
- A benefit, for example of 70 per day for one year, would significantly assist frail persons to remain in their homes and reduce or at least delay the need for enrollment in Medicaid, thus having financial benefits for the family and state;
- Private long-term care insurance would provide supplemental, additional care at lower premiums than today for those who can qualify and can afford to purchase it.

- The Commission report identifies a list of significant issues which need consideration in fashioning a concrete proposal which would be politically viable and financially feasible. This bill would establish the taskforce to undertake this task.
- We suggest that the bill be amended to designate the Executive Office on Aging to be responsible for the Taskforce.

Thank you for the opportunity to provide testimony supporting this bill.



HAWAII

House Committee on Consumer Protection & Commerce
Hearing Date: February 13, 2011
Time: 2:15 pm

RE: HB 2696, HD1 – Relating to Long Term Care Insurance

Chair Herkes, Vice Chair Yamane and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life and health insurance agents throughout Hawaii, who primarily market life, annuities, long term care and disability income insurance products.

HB 2696, HD1 is a product of one of the Long Term Care Commission's recommendations **to study a public insurance program to provide modest support through mandatory contributions by Hawaii's working age population.**

The Insurance Commissioner is being tasked to convene and chair the LTC Financing Task Force and will be charged with a **formidable task to report back to the 2013 Legislature.** There will be 7 members of the task force – 3 each appointed by the House Speaker and by the Senate President, made up of LTC community and insurance industry.

We do **not support** this bill because in principal, we are opposed to any mandatory (tax) financing. Considering the magnitude of the scope of work, **significant funding will also be required for a sound actuarial study.**

The CLASS (Community Living Assistance Services and Supports) program, a component of the Patient Protection and Affordable Care Act is a government run voluntary LTC program. US Department of Health and Human Services Secretary Kathleen Sebelius back in October 2011 halted the implementation after determining that they couldn't meet the statutory requirement that the program be actuarially sound over 75 years. The US House of Representatives voted to repeal the CLASS program on February 2, 2012. The US Senate's course is not certain.

Many other considerations were not recommended by the LTC Commission. In 2010, 80% of respondents in the Hawaii LTC Survey **avored** tax incentives for the purchase of LTC insurance – 33% chose tax incentives for private LTC insurance more specifically according the LTC Commission's final report. The Commission rejected tax incentives for purchasing LTC insurance and did not recommend nor oppose the LTC public-private partnership plan that you are also hearing today in HB 2696, HD1.

The LTC problem is very complex with many factors involved. Hawaii needs to do as much as possible to allow for consumer options if we are to address our LTC needs significantly. There is no magic bullet.

We ask that you hold this measure. Mahalo for allowing us to provide testimony.

Cynthia Takenaka, Executive Director
Phone: 394-3451