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**Testimony Supporting the Intent of HCR 164 with Amendments  
REQUESTING THE DIRECTOR OF THE EXECUTIVE OFFICE ON AGING TO  
ESTABLISH THE LONG-TERM CARE FINANCING TASK FORCE TO ASSESS THE  
FEASIBILITY OF ESTABLISHING A MODEST, PUBLIC, LONG-TERM CARE  
INSURANCE PROGRAM IN HAWAII**

**House Committee on Health  
Rep. Ryan Yamane, Chair  
Rep. Dee Morikawa, Vice Chair**

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

**Tuesday, March 27, 2012**

**9:00 a.m., Room 329**

- 1 Chair Yamane, Vice Chair Morikawa, and members of the House Health Committee, thank you
- 2 for the opportunity to testify on HCR 164
- 3 **EOA's Position:** The Executive Office on Aging (EOA) supports the intent of this resolution
- 4 provided that its enactment does not reduce or replace priorities within our Supplemental Budget
- 5 Request. However, if a task force is established, we would like to add that each of the Counties'
- 6 Area Office on Aging also be included on the task force.
- 7 **Purpose and Justification:** This resolution requests that the Director of the Executive Office on
- 8 Aging establish the Long-Term Care Financing Task Force to assess the feasibility of establishing
- 9 a modest, public, long-term care insurance program in Hawaii, which was supported in principle
- 10 by the Long-Term Care Commission. While we support the intent of establishing a task force to

- 1 assess the feasibility of a long-term care insurance program, currently, EOA does not have the
- 2 resources available to staff this task force. Thank you for the opportunity to testify on HCR 164.



To: Committee on Health  
Representative Ryan I. Yamane, Chair

Date: March 27, 2012, Conference Room 329, 9:00 a.m.

Re: **HCR 164/HR 127** – Requesting the Director of the Executive Office on Aging to establish the Long-Term Care Financing Task Force to assess the feasibility of establishing a modest, public, long-term care insurance program in Hawaii.

Chair Yamane 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** the intent of HCR164/HR 127 that proposes a Task Force to determine the feasibility of establishing a limited, mandatory, public long-term care (LTC) program. 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 also actively supported the CLASS Act as part of the Patient Protection and Affordable Care Act, however, further study is needed as to the feasibility of a LTC insurance program, given the current political and economic environment, and the need for additional financial and actuarial analyses.

AARP proposes that the resolutions be amended as follows:

1. 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.
2. 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 HCR164/HR127.

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.

3. 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 testify.

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.

TO: COMMITTEE ON HEALTH  
Representative Ryan I. Yamane, Chair  
Representative Dee Morikawa, Vice-Chair

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

HEARING: 9: 00 am Tuesday, March 27, 2012  
Conference Room 329, Hawaii State Capitol

SUBJECT: HCR 169 Establish a Taskforce for Public Long-Term Care Insurance

POSITION: **The Policy Advisory Board for Elder Affairs strongly supports HCR 169**, which would establish a taskforce under the Executive Office on Aging to determine the feasibility of creating a limited, mandatory, public long-term care insurance program.

**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 way to increase 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. No other proposal actually raises revenue or would come close to providing near-universal coverage.

- 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, or placement in an expensive residential care setting, 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.

Thank you for allowing me to testify on this resolution.

## **morikawa2 - Grant**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 25, 2012 2:57 PM  
**To:** HLTtestimony  
**Cc:** robertscottwall@yahoo.com  
**Subject:** Testimony for HCR164 on 3/27/2012 9:00:00 AM

Testimony for HLT 3/27/2012 9:00:00 AM HCR164

Conference room: 329  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Scott Wall  
Organization: United Self Help  
E-mail: [robertscottwall@yahoo.com](mailto:robertscottwall@yahoo.com)  
Submitted on: 3/25/2012

Comments:

House Committee on Health  
Representative Ryan Yamane, Chair  
Representative Dee Morikawa, Vice Chair

**Hearing on March 27, 2012 at 9:00 am**

**HCR 164 / HR 127 -- REQUESTING THE DIRECTOR OF THE EXECUTIVE OFFICE ON AGING TO ESTABLISH THE LONG-TERM CARE FINANCING TASK FORCE TO ASSESS THE FEASIBILITY OF ESTABLISHING A MODEST, PUBLIC, LONG-TERM CARE INSURANCE PROGRAM IN HAWAII**

Chair Yamane, Vice Chair Morikawa 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.

These resolutions are the result of part of the recommendations of the Hawaii LTC Commission that submitted its report to the Legislature earlier this year. The Director of the Executive Office on Aging is tasked with establishing a task force to study the feasibility of establishing a modest, public, LTC insurance program. The task force will take a more in depth look on the financial viability, program administration, collection of premiums, cost of insurance premiums, issues relating to covered benefits, and political support.

Although these measures ask for a feasibility study, we have long opposed any mandatory financing program for LTC.

We would also like to offer **comments** on the issues confronting the work of the task force as stated on page 2. Funds were released for the Care Plus work in 2003. However, without funding to update the actuarial work from the 2003 Care Plus proposal, the task force will not have the tools to adequately determine and evaluate the very issues they are tasked to address. Each program design will have differing actuarial assumptions and therefore, premium amounts. If employees are required to participate, then the collection and disbursement of the tax may fall to employers...another cost in a weak albeit improving economy. A representative from an employer type organization should also have a seat on the task force as Care Plus looked at contributions by employees.

Thank you for allowing us to share our view and comments.

Cynthia Takenaka, Executive Director  
Phone: 394-3451