



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 23, 2012

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2309, S.D. 1 - RELATING TO LONG-TERM CARE**

Hearing: Thursday, February 23, 2012; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is 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.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes 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 overwhelming 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 increase spending.
- About 80 percent of surveyed Partnership policyholders would have purchased traditional long-term care insurance policies if Partnership policies were not available, representing a potential cost to Medicaid.
- 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, and conversely, could very well result in increased Medicaid expenditures. However, this bill would seem to preserve wealth for Medicaid recipients at taxpayer's expense.

Thank you for the opportunity to testify on this bill.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: robertscottwall@yahoo.com
Subject: Testimony for SB2309 on 2/23/2012 9:00:00 AM
Date: Monday, February 20, 2012 2:03:09 PM

Testimony for WAM 2/23/2012 9:00:00 AM SB2309

Conference room: 211
Testifier position: Support
Testifier will be present: Yes
Submitted by: Scott Wall
Organization: Individual
E-mail: robertscottwall@yahoo.com
Submitted on: 2/20/2012

Comments:

This is a question that is simply going to vex our society more every year as the baby boomers age out. It is fundamentally a question of fairness. Health care cost have risen so high (and will continue to climb higher,) that no one is going to be able to remain at home and receive decent health care if there must be a means test. People who worked all their lives and paid their taxes, raised families, went to church, did everything a good family is supposed to do will not be able to qualify for support that is necessary if they have a home and even meager savings. They will have to divest themselves of everything they own to get the care they need. Of course the state doesn't have long term care facilities that would be required for these people if they can not live in their own homes. Catch - 22! A bill like this is necessary if we as a society are to survive the upcoming health care crisis the aging baby boomers are going to create.