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To: Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair

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

Date: February 29, 2012, Conference Room 211, 10:00 a.m.

Re: **SB2321 SD1 – RELATING TO LONG-TERM CARE INSURANCE**

Chair Baker, Chair Ige and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. 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 infomation source on issues critical to Americans age 50+.

AARP **supports** the intent of SB2321 SD1 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 bill 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 this bill.

3. 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. This approach would be in alignment with SB2306 SD1 that establishes a LTC task force that addresses the consolidation of state LTC programs and functions under a single executive department or division.

4. An appropriation to fund the work of the task force should be provided.

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5. 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 comments.

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SB2321 SD1- Relating to Long-Term Care Insurance
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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 theAging 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 revenuefor Kupuna Care.