

# SB 2321

Measure Title: RELATING TO LONG-TERM CARE INSURANCE.

Report Title: Kupuna Caucus; Task Force; Public Long-term Care Insurance; Long-term Care Commission

Description: Establishes a task force to determine the feasibility of establishing a limited, mandatory, public long-term care insurance program.

Companion:

Package: Kupuna

Current Referral: HMS, CPN/WAM

Introducer(s): CHUN OAKLAND

TO: COMMITTEE ON HUMAN SERVICES  
Sen. Suzanne Chun Oakland, Chair  
Sen. Les Ihara, Vice-Chair

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

HEARING: 1: 15 pm Tuesday, January 31, 2012  
Conference Room 016, Hawaii State Capitol

SUBJECT: SB 2321 Relating to Long-Term Care Insurance

POSITION: The Policy Advisory Board for Elder Affairs **strongly supports** SB 2321, which would establish a taskforce 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 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.

Thank you for allowing me to testify on this bill.



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR

STATE OF HAWAII  
INSURANCE DIVISION  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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KEALPI S. LOPEZ  
DIRECTOR

GORDON I. ITO  
INSURANCE COMMISSIONER

TO THE SENATE COMMITTEE ON HUMAN SERVICES

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Tuesday, January 31, 2012  
1:15 p.m.

**TESTIMONY ON SENATE BILL NO. 2321 – RELATING TO LONG-TERM CARE  
INSURANCE.**

TO THE HONORABLE SUZANNE CHUN OAKLAND, 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”). The Department opposes the section of the bill that assigns the Insurance Commissioner to convene the task force. 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 a conflict 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.



HAWAII

Senate Committee on Human Services  
Hearing Date: January 31, 2011  
Time: 1:15 pm

**RE: SB 2321 – Relating to Long Term Care Insurance**

Chair Chun-Oakland, Vice Chair Ihara 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.

SB 2321 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 will spearhead this 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 oppose mandatory (tax) financing. Considering the magnitude of the scope of work, significant funding will also be required for an actuarial study.

Many other considerations were not recommended by the LTC Commission. In 2010, 80% of respondents in the Hawaii LTC Survey **favored** 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 SB 2309.

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



To: Committee on Human Services  
Senator Suzanne Chun Oakland, Chair

Date: January 31, 2012, Conference Room 016, 1:15 p.m.

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

Chair Chun Oakland 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 information source on issues critical to Americans age 50+.

SB2321 proposes a Task Force to determine the feasibility of establishing a limited, mandatory, public long-term care program. AARP will be providing **comments** on this bill. While not opposed to such a program in principle, indeed AARP actively supported the CLASS Act as part of the Patient Protection and Affordable Care Act, further study is needed as to the feasibility of a state public long-term care insurance program, given the current political and economic environment. We believe that rather than a Task Force, the legislature should direct the DCCA, DHS, DOH and other administrative entities as appropriate to take the necessary steps to move towards the study and implementation of the LTC Commission's recommendation relating to limited, mandatory, public long term-care insurance program.

As the Report clearly outlines, Hawaii's system of LTC has serious problems. According to the Commission's Report, the cost of a private pay nursing home in Hawaii exceeds \$132,000 annually. That is a staggering \$11,000, on a monthly basis, and well beyond the financial reach of most Hawaii residents.

Individuals can purchase coverage for long-term care costs through a long-term care (LTC) insurance policy. In recent years these policies have become more comprehensive, and insurers may now cover home health care, respite care, adult day services, assisted living, personal care, and hospice care. LTC insurance that provides meaningful coverage and consumer protections, may be unaffordable for many people. The National Association of Insurance Commissioners in its 2010 "Shopper's Guide to Long-Term Care Insurance" reported that the average annual premiums for basic long-term care insurance (\$100 daily benefit amount, four years of coverage, a 20-day elimination period, 5% compound inflation protection option, and a nonforfeiture benefits option) was \$798 for a 40-year old; \$1,087 for a 50-year old; and \$2,130 for a 65-year old.

Thank you for the opportunity to provide our testimony.

*Linda J. Posto, LUTCF, LTCP  
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**Regarding SB 2321** ~ To be addressed on January 31, 2012 at 1:15 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.

## ChunOakland2 - Tyrell

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, January 26, 2012 8:51 PM  
**To:** HMS Testimony  
**Cc:** lkakatsu@hawaii.rr.com  
**Subject:** Testimony for SB2321 on 1/31/2012 1:15:00 PM

Testimony for HMS 1/31/2012 1:15:00 PM SB2321

Conference room: 016  
Testifier position: Support  
Testifier will be present: No  
Submitted by: Lynn Murakami-Akatsuka  
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E-mail: [lkakatsu@hawaii.rr.com](mailto:lkakatsu@hawaii.rr.com)  
Submitted on: 1/26/2012

**Comments:**

Support SB 2321 to establish a task force as a first step in looking at a public long term care insurance program.



mailinglist@capitol.hawaii.gov  
Wednesday, January 25, 2012 5:48 PM  
HMS Testimony  
robertscottwall@yahoo.com  
Testimony for SB2321 on 1/31/2012 1:15:00 PM

Testimony for HMS 1/31/2012 1:15:00 PM SB2321

Conference room: 016  
Testifier position: Support  
Testifier will be present: No  
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Comments: