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# A BILL FOR AN ACT

RELATING TO LONG TERM CARE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that according to the  
2 Hawaii long term care commission, only a minority of Americans  
3 will ever have private long term care insurance, even in an  
4 optimistic economic environment. Therefore, an alternative that  
5 matches the mandatory, universal long-term care insurance  
6 programs found in countries such as Japan and South Korea is to  
7 create a more balanced delivery system for long term care to all  
8 persons who require it, regardless of their financial need.

9           The legislature also finds that a public insurance program  
10 designed to provide modest income support financed through  
11 mandatory contributions by the working-age population would  
12 provide a measure of financial protection for individuals who  
13 are uninsurable and require long term care. In principle, a  
14 proposed public insurance program would be similar to social  
15 security. Much like social security, a public insurance program  
16 would not be intended to meet all long term care needs, but  
17 would instead supplement private initiatives such as private  
18 long term care insurance.



1           The legislature has attempted to address the issue of long  
2 term care since the late 1980s. The executive office on aging  
3 began to explore long term care initiatives and contracted for  
4 an actuarial study for its January 1991 report, "Financing Long  
5 Term Care, A Report to the Hawaii State Legislature". Two years  
6 later, the Hawaii family hope program, which called for a  
7 mandatory state long term care financing program, was introduced  
8 during the Regular Session of 1993. Although the Hawaii family  
9 hope program was not enacted, attempts to address the question  
10 of financing long term care continued over the years.

11           In 2002, Act 245, Session Laws of Hawaii 2002, established  
12 the Hawaii long term care financing program as a way to provide  
13 a universal and affordable system of providing long term care.  
14 Known as the care plus program, it was supported by the  
15 legislature and the executive office on aging and backed by  
16 extensive actuarial models and calculations. The board of  
17 trustees established by Act 245 recommended funding such as a  
18 program with a mandatory dedicated income tax. In 2003, the  
19 legislature passed S.B. No. 1088, C.D. 1, which would have  
20 implemented the design of the long term care insurance program  
21 and the requisite tax necessary to fund it. However, the  
22 governor vetoed the measure, and the veto was not overridden.



1           The legislature further finds that providing for and  
2 funding a system of long term care in the State remains an  
3 important issue. According to a 2012 update on long term care  
4 by the American Association of Retired Persons, without private  
5 insurance or public program coverage, the high cost of long term  
6 care is unaffordable for most Americans. For example, the  
7 national average private pay cost of a nursing home stay in 2012  
8 was about \$88,000 per year. However, in Hawaii, the average  
9 annual cost is \$116,800 for a semi private room and \$125,925 for  
10 a private room for nursing home care.

11           According to the Hawaii long term care commission, a  
12 limited, mandatory, public long term care insurance program may  
13 be the only option that will provide insurance coverage to a  
14 large majority of people in Hawaii and benefit people with a  
15 wide range of income and assets. However, the support for  
16 mandatory enrollment in a public long term care insurance  
17 program in Hawaii is low. Therefore, an actuarial analysis is  
18 needed to provide the basis for a determination on a mandatory  
19 tax to implement a limited, mandatory, public long term care  
20 insurance program for the State's working population.

21           The purpose of this Act is to require the director of the  
22 executive office on aging to contract for the performance of an



1 actuarial analysis for a limited, mandatory, public long term  
2 care insurance program for the State's working population.

3 SECTION 2. (a) The director of the executive office on  
4 aging shall contract for the performance of an actuarial  
5 analysis by a licensed actuary who is a member in good standing  
6 with the American Academy of Actuaries.

7 (b) The actuarial analysis shall contain a statement by  
8 the actuary certifying that the techniques and methods used are  
9 generally accepted within the actuarial profession and that the  
10 assumptions and cost estimates used are reasonable. The  
11 analysis shall include:

12 (1) The amount of the mandatory tax required to implement  
13 a mandatory long term care insurance program in the  
14 State;

15 (2) A statement on whether the mandatory tax should be an  
16 income tax, payroll tax, or dedicated percentage of a  
17 general excise tax;

18 (3) A projection of the amount of benefit each resident of  
19 the State would derive from paying into a trust fund  
20 dedicated to providing long term care benefits;

21 (4) An estimate on how long the tax would need to be  
22 collected before benefits could be paid out; and



1 (5) An estimate of the likely impact on medicaid roles, if  
2 any.

3 (c) The actuarial analysis shall be completed and  
4 submitted to the director of the executive office on aging by  
5 June 30, 2014. The director of the executive office on aging  
6 shall submit a report, including the director's findings and  
7 recommendations based on the analysis, to the legislature no  
8 later than twenty days prior to the convening of the regular  
9 session of 2015.

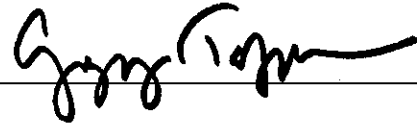
10 SECTION 3. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$380,000 or so much  
12 thereof as may be necessary for fiscal year 2013-2014 for the  
13 performance of an actuarial analysis.

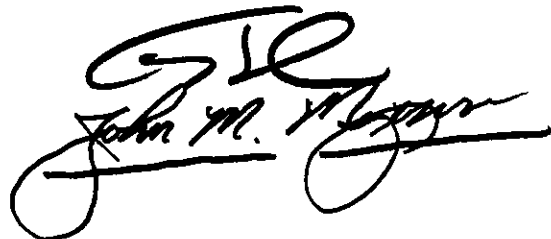
14 The sum appropriated shall be expended by the executive  
15 office on aging of the department of health for the purposes of  
16 this Act.

17 SECTION 4. This Act shall take effect on July 1, 2013.

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# H.B. NO. 1

**Report Title:**

Kupuna Caucus; Long Term Care; Long Term Care Insurance Program;  
Executive Office on Aging; Appropriation

**Description:**

Requires the director of the executive office on aging to contract for the performance of an actuarial analysis for a limited, mandatory, public long term care insurance program for the State's working population. Requires a report to the legislature. Appropriates funds for the actuarial analysis.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

