
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 for
8 all 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 Act 245, Session Laws of Hawaii 2002, established the
12 Hawaii long term care financing program as a way to provide a
13 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 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 long term care commission, a limited,
12 mandatory, public long term care insurance program may be the
13 only option that will provide insurance coverage to a large
14 majority of people in Hawaii and benefit people with a wide
15 range of income and assets. However, the support for mandatory
16 enrollment in a public long term care insurance program in
17 Hawaii is low. Therefore, an actuarial analysis is needed to
18 provide the basis for a determination on a mandatory tax to
19 implement a limited, mandatory, public long term care insurance
20 program for the State's working population.



1 The purpose of this Act is to require the director of the
2 executive office on aging to contract simultaneously for the
3 performance of two analyses:

4 (1) A policy analysis to craft details of the social
5 insurance proposal, including the policy options which
6 were identified in the long term care commission's
7 report and the potential costs of the policy options;
8 and

9 (2) An actuarial analysis for a limited, mandatory, public
10 long term care insurance program for the State's
11 working population.

12 SECTION 2. (a) The director of the executive office on
13 aging shall contract for the performance of a policy analysis.

14 (b) The policy analysis shall include:

15 (1) An analysis of the policy options identified in the
16 long term care commission's recommendations to the
17 legislature dated January 18, 2012;

18 (2) The potential costs of the policy options identified
19 in the long term care commission's recommendations to
20 the legislature dated January 18, 2012;

21 (3) A recommendation on the parameters of the mandatory
22 public long term care insurance program, such as the



1 nature of financing, rate of premium, eligibility
2 requirements for receiving benefits, length of time to
3 be vested, value of benefits offered, administrative
4 arrangements for managing the insurance funds,
5 mechanisms of assessing eligibility, and acceptable
6 providers of needed services; and

7 (4) An analysis of possible alternatives that were not
8 policy options identified in the long term care
9 commission's recommendations to the legislature dated
10 January 18, 2012, including tax incentives for the
11 purchase of long term care insurance and the medicaid
12 or long term care public private partnership plan that
13 has been adopted in other states.

14 (c) The purpose of the analysis is to determine which
15 policy option would be most politically viable, have the
16 strongest support of the community, and provide meaningful
17 financial help to those most in need.

18 (d) The policy analysis shall be completed and submitted
19 to the director of the executive office on aging by June 30,
20 2014. The director of the executive office on aging shall
21 submit a report, including the director's findings and



1 recommendations based on the analysis, to the legislature by
2 September 1, 2014.

3 SECTION 3. (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) A projection of the contribution rates necessary to
13 keep the trust fund dedicated to providing long term
14 care benefits actuarially sound over the short-range
15 and long range future periods;

16 (2) The method of collecting premiums;

17 (3) An estimate of the expected future income to and
18 disbursements to be made from the trust fund in future
19 years;

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



- 1 (5) An estimate on how long the contributions would need
- 2 to be collected before benefits could be paid out;
- 3 (6) An estimate of the likely impact on medicaid roles, if
- 4 any;
- 5 (7) A statement on the minimum and maximum age for
- 6 employed persons to be eligible to enroll;
- 7 (8) A definition of "employment" for purposes of
- 8 determining eligibility for benefits;
- 9 (9) A statement on the minimum period of premium payments
- 10 before eligibility for benefits;
- 11 (10) A statement on the length of covered benefit;
- 12 (11) A statement on the amount of cash benefit, and whether
- 13 it varies by disability level, and whether it has an
- 14 inflation adjustment over time;
- 15 (12) A statement on whether individuals need to pay in for
- 16 life, until retirement, or until they have paid in for
- 17 a specified number of years;
- 18 (13) A statement on whether premiums should be level or
- 19 increase with inflation over time;
- 20 (14) A statement on whether low income individuals should
- 21 be exempted from participation;



1 (15) A statement on how the program should be administered;
2 and

3 (16) A statement of actuarial assumptions and methods used
4 to determine costs and a detailed explanation of any
5 change in actuarial assumptions or methods.

6 (c) The actuarial analysis shall be completed and
7 submitted to the director of the executive office on aging by
8 June 30, 2014. The director of the executive office on aging
9 shall submit a report, including the director's findings and
10 recommendations based on the analysis, to the legislature by
11 September 1, 2014.

12 SECTION 4. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$ or so much
14 thereof as may be necessary for fiscal year 2013-2014 for the
15 performance of a policy analysis as set forth in section 2 of
16 this Act.

17 The sum appropriated shall be expended by the executive
18 office on aging of the department of health for the purposes of
19 this Act.

20 SECTION 5. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so much
22 thereof as may be necessary for fiscal year 2013-2014 for the



1 performance of an actuarial analysis as set forth in section 3
2 of this Act.

3 The sum appropriated shall be expended by the executive
4 office on aging of the department of health for the purposes of
5 this Act.

6 SECTION 6. This Act shall take effect on July 1, 2030.



Report Title:

Policy Analysis; Long Term Care; Executive Office on Aging

Description:

Requires the Director of the Executive Office on Aging to contract for the performance of a policy analysis and an actuarial analysis for a limited, mandatory, public long term care insurance program for the State's working population. Appropriates funds. Effective July 1, 2030. (HB1 HD2)

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