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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 those individuals  
13 who require long term care. In principle, a proposed public  
14 insurance program would be similar to social security. Much  
15 like social security, a public insurance program would not be  
16 intended to meet all long term care needs, but would instead  
17 supplement private initiatives such as private long term care  
18 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 financing program may  
13 be the only option that will provide 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 financing program in  
17 Hawaii is low. Therefore, a feasibility study and an actuarial  
18 analysis are needed to provide the basis for a determination on  
19 a mandatory tax to implement a limited, mandatory, public long  
20 term care financing 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 a



1 feasibility study and an actuarial analysis for a limited,  
2 mandatory, public long term care financing program for the  
3 State's working population.

4 SECTION 2. (a) The director of the executive office on  
5 aging shall contract for a feasibility study to design a  
6 limited, mandatory public long term care financing program for  
7 the State.

8 (b) The feasibility study may include an analysis of the  
9 following policy options:

- 10 (1) A projection of the contribution rates necessary to  
11 keep the trust fund dedicated to providing long-term  
12 care benefits actuarially sound over the short-range  
13 and long-range future periods;
- 14 (2) The method for collecting premiums;
- 15 (3) An estimate of the expected future income to and  
16 disbursements to be made from the trust fund in future  
17 years;
- 18 (4) 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 (5) An estimate of how long the contributions would need  
22 to be collected before benefits could be paid out;



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



1           (17) A statement of actuarial assumptions and methods used  
2                   to determine costs and a detailed explanation of any  
3                   change in actuarial assumptions or methods; and

4           (18) A statement on what tax incentives could be included  
5                   for long-term care insurance premiums.

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

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

14           (c) The actuarial analysis shall provide a financial  
15           analysis of the limited, mandatory public long term care  
16           financing program. The analysis may include:

17           (1) In conjunction with the feasibility study, cost  
18                   projections of the various policy options; and

19           (2) The amount of the mandatory tax required to implement  
20                   a mandatory long term care financing program in the  
21                   State.



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

9           SECTION 5. There is appropriated out of the general  
10 revenues of the State of Hawaii the sum of \$380,000 or so much  
11 thereof as may be necessary for fiscal year 2013-2014 for the  
12 performance of a feasibility study and an actuarial analysis  
13 pursuant to this Act.

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 6. This Act shall take effect on July 1, 2013.

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**Report Title:**

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

**Description:**

Requires the director of the executive office on aging to contract for the performance of a feasibility study and an actuarial analysis for a limited, mandatory, public long term care financing program for the State's working population. Requires a report to the legislature. Appropriates funds for the feasibility study and actuarial analysis. (SD1)

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