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Committee on Finance

HB1, HD1, RELATING TO LONG TERM CARE

Testimony of Wes Lum
Director, Executive Office on Aging
Attached Agency to Department of Health

Thursday, February 21, 2013; Conference Room 308

11:00 a.m.

EOA's Position: The Executive Office on Aging (EOA) supports the intent of this measure and notes that the Governor's Biennium Budget appropriates $380,000 for a feasibility study and actuarial analysis of a limited, mandatory, public long term care insurance program for the State.

Fiscal Implications: Appropriates $380,000 for a policy analysis and $380,000 for an actuarial analysis for a for a public long term care insurance program.

Purpose and Justification: EOA believes that the total cost of this measure, which is $760,000, is too high. We believe that $380,000 is sufficient for both the policy analysis and actuarial analysis.

We also believe that the specifications of the actuarial analysis are more appropriate in shaping the design of the long-term care financing program, and therefore, we would suggest that the policy analysis reflect a more robust set of policy options to be considered.

Attached please find EOA's suggested amendments. We believe that this language is clearer while maintaining the integrity of the House Draft 1. Thank you for the opportunity to testify.

Section 1. Keep purpose and introduction section the same until the following:

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

The purpose of this Act is to require 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.

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

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

1. An analysis of the policy options identified in the long-term care commission's recommendations to the legislature on January 19, 2012;
2. The potential costs of the policy options identified in the long-term care commission's recommendations to the legislature on January 19, 2012;
3. A projection of the contribution rates necessary to keep the trust fund dedicated to providing long-term care benefits actuarially sound over the short-range and long-range future periods;
4. The method for collecting premiums;
5. An estimate of the expected future income to and disbursements to be made from the trust fund in future years;
6. A projection of the amount of benefit each resident of the State would derive from paying into a trust fund dedicated to providing long term care benefits;
7. An estimate of how long the contributions would need to be collected before benefits could be paid out;
8. An estimate of the likely impact on medicaid rolls, if any;
9. A statement on the minimum and maximum age for employed persons to be eligible to enroll;
10. Definition of "employment" for purposes of determining eligibility of benefits;
11. Minimum period of premium payment before eligibility of benefits;
12. A statement on the length of benefit coverage;
13. A statement on the amount of cash benefit, whether it varies by disability level, and whether it has an inflation adjustment over time;
14. A statement on whether individuals need to pay in for life, until retirement, or until they have paid in for a specified number of years;
15. A statement on whether premiums should be level or increase with inflation over time;

16. A statement on whether low-income individuals should be exempt from participation;
17. A statement on a graduated, sliding fee premium;
18. A statement on how the program should be administered;
19. A statement of actuarial assumptions and methods used to determine costs and a detailed explanation of any change in actuarial assumptions or methods;
20. A statement on what tax incentives could be included for long-term care insurance premiums; and
21. A statement on the integration of a Medicaid/long-term care public private partnership plan that has been adopted in other states.

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

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

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

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

1. In conjunction with the feasibility study, cost projections of the various policy options; and
2. The amount of the mandatory tax required to implement a mandatory long term care financing program in the State.

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

Section 5. There is appropriated out of the general revenues of the State of Hawaii the sum of $380,000 or so much thereof as may be necessary for fiscal year 2013-2014 for the performance of a feasibility study and an actuarial analysis.

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

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

TO: HOUSE FINANCE COMMITTEE
Rep. Sylvia Luke, Chair

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

HEARING: 2:00 pm Thursday, February 21, 2013
Conference Room 308, Hawaii State Capitol

SUBJECT: HB 1 HD2 Relating to Long-Term Care (Kupuna Caucus Package)

DESCRIPTION: This bill appropriates funds to the Executive Office on Aging to contract for a policy analysis and an actuarial analysis of a proposed mandatory limited public long-term care insurance program for persons employed in Hawaii and requires a report to the Legislature.

POSITION: The Policy Advisory Board for Elder Affairs **supports HB 1 but we prefer HD 1 over HD 2.**

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 recommended a limited mandatory public long term care insurance program for employees as a viable way to increase funding for the expanding need for long-term care services without tapping the general revenue fund. For low out of pocket premiums, the proposal would provide persons meeting the vesting period with a limited but meaningful benefit should they face the need for long term care. No other option would raise revenue for long-term care and provide coverage to the vast majority of residents.

This bill appropriates funds to the Executive Office on Aging to contract for an actuarial study which would provide cost estimates for the program to have a 75 year viability and assist in determining the combination of premiums and benefits to meet this goal. This is a necessary first step in obtaining the information needed to offer a proposed bill to establish the program in a future session of the Legislature.

Suggested Amendment:

A policy analysis is required to craft details of the social insurance proposal, addressing a set of options and issues which are identified in the Commission Report, including a flat rate or graduated rate of premium, eligibility criteria for receiving benefits, the length of time to be vested, and the value of benefits offered and administrative arrangements for managing the insurance funds, mechanisms of assessing eligibility, acceptable providers of needed services. HD 2 adds extraneous issues already examined by the Commission, e.g. tax credits and the public-private partnership option, which were found undesirable. We prefer the provisions in HD 1.

Thank you for allowing me to testify on this bill.

Hawai‘i Alliance for Retired Americans

AFT Hawaii Retirees
HGEA Retirees
An affiliate of the Alliance for Retired Americans HSTA – Retired
c/o HEA 1953 South Beretania St., Suite 5C · Honolulu, Hawaii 96826 ILWU Retirees
Kokua Council
UPW Retirees
Hawaii Family Caregivers Coalition
Kupuna Education Center

(Submitted by email to: FINtestimony@capitol.hawaii.gov

Testimony of Al Hamai in support of HB1, HD1 Relating to Long Term Care

House Committee on Finance

February 21, 2013, 11:00 p.m. Conference Room 308

Chair Sylvia Luke and Members of the Committee,

HARA supports HB 1, HD1 because it is an important and necessary step to again seriously address a major concern of the growing number of seniors, their families and our state for providing for and funding a system of long term care in our state.

Enactment of this bill, with adequate funds, will enable the Executive Office of Aging to contract an actuarial analysis for a limited public long term care insurance program for our working population and also policy analysis.

Back in 2002 the Legislature, in its wisdom and courage, enacted Act 245, which established the Hawaii long term care financing program, known as the Care Plus Program. The following year the Legislature approved a bill to implement the program with the tax necessary to fund it. But the bill was vetoed by Governor Lingle and was not overridden by the legislature, sad to say.

So we are back, and we’ll keep on coming back, to support, this time, this very important actuarial and policy analysis.

We urge your Committee to approve HB1, HD1.

Mahalo and Aloha.

HARA is a strong voice for Hawaii’s retirees and seniors; a diverse community-based organization with national roots; a grassroots organizer, educator, and communicator; and a trusted source of information for decision-makers.

To: Committee on Finance
Representative Sylvia Luke, Chair

Date: February 21, 2013, Conference Room 308, 11:00 a.m.

Re: **HB1, HD1 – RELATING TO LONG TERM CARE**

Chair Luke and Committee Members:

My name is Steve Tam, Director of Advocacy for AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. AARP fights on issues that matter to Hawaii families, including the high cost of long-term care; 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+.

AARP **strongly supports HB1, HD1 - Relating to Long Term Care**. This bill appropriates $380,000 for a policy analysis and an actuarial analysis for a limited, mandatory, public long-term care insurance program for Hawaii's working population.

Hawaii Long-Term Care Commission Recommendation
The Hawaii Long-Term Care Commission in its 2012 Report to the Hawaii Legislature recommended the establishment of a limited, mandatory public long-term care insurance program for the working population, which would be funded by worker premiums rather than state general revenues. The Commission specified that details on the implementation and design of the program would depend upon an actuarial analysis, which the Commission was not able to conduct due to time and cost constraints.

Long-Term Care Challenges Faced by Hawaii
A public long-term care insurance program was recommended to address the many long-term care related challenges being faced by boomers and their children:

1. Hawaii's population is aging rapidly. There were approximately 206,000 people over 65 years old in Hawaii in 2012, and that number will increase by 61% to 331,000 in 2032.[1]
2. Approximately 69% of people who turned 65 in 2005 will need long-term care before they die.[2]
3. Hawaii long-term care costs are among the highest in the nation and unaffordable by most Hawaii residents. E.g., the annual cost of a nursing home is more than double (2.49) times the median age 65+ household income.[3]
4. Only 12% of Hawaii residents over 40 years old have a long-term care insurance policy.[4] The reason cited for not purchasing a policy is the cost, and the preoccupation with meeting daily living expenses.[5]
5. Federal health care programs such as Medicare are not designed to cover long-term care costs (other than limited coverage in skilled nursing facilities). Medicaid pays for long-term care, but only for those with limited assets and income.

6. The State's primary long-term care program, Kupuna Care, served approximately 6,981 people in 2012,[6] which is only a small portion of the senior population that could be potentially served.
7. Unpaid family caregivers, provide the bulk of long-term care services. There are approximately 247,000 caregivers in Hawaii.[7] The primary caregiver group is 50-64 years old. Unfortunately this group will make up less of the population in the future, as this group accounted for 19.1% of the population in 2012, but will account for only 16.1% of the population in 2032.[1]

Broader Solutions Needed to Address Aging Issues
As current programs and services are not able to help most residents needing long-term care, the Long-Term Care Commission recommended a Public Long-Term Care Insurance Program. A key advantage of such a program is that it would benefit the majority of the adult working population. The Commission offered the following approaches, which would need to be addressed by an actuarial analysis:[8]

1. Mandatory premiums would be set at rates below the typical private long-term care insurance policy.
2. Except for the study and startup costs no Hawaii general revenues would be used.
3. The program would be mandatory for working individuals under age 60.
4. Participants would need to pay premiums for 10 years to be eligible for benefits.
5. The benefit period would be limited to 365 days.
6. The daily benefit was targeted at $70 per day.

Many Residents Would Support a Public Long-Term Care Insurance Program
A new AARP Hawaii survey[5] conducted in November 2012 found that:

1. 59% of 50+ residents in Hawaii would support a public long-term care insurance program where they would pay a monthly premium.
2. 36% would be willing to pay between $50 and $74 per month in premiums.
3. 29% would be willing to pay between $75 and $124 per month in premiums.
4. 24% would be willing to pay between $125 and $199 per month in premiums.

Proposed Amendments to HB 1, HD1
The bill should be amended to clarify that the program would provide benefits to the working population that contributed to the plan. The bill references that the program would provide a measure of financial protection to individuals that are uninsurable, however, if individuals have not contributed they would not be able to receive benefits.

AARP also prefers amendments as made in SB 104, SD1 that requires a feasibility study in addition to the actuarial analysis; and specifies items that may be analyzed as part of the feasibility study and the actuarial analysis:

AARP proposes that HB 1, HD1 be amended as follows:

1. Section 1, paragraph 2 be amended by adding the following:

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

2. Section 1, paragraph 6 to Section 6 be replaced with language identical to the corresponding sections in SB 104, SD1. The specific language as follows:

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

   The purpose of this Act is to require 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.

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

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

   1. A projection of the contribution rates necessary to keep the trust fund dedicated to providing long-term care benefits actuarially sound over the short-range and long-range future periods;
   2. The method for collecting premiums;
   3. An estimate of the expected future income to and disbursements to be made from the trust fund in future years;
   4. A projection of the amount of benefit each resident of the State would derive from paying into a trust fund dedicated to providing long term care benefits;
   5. An estimate of how long the contributions would need to be collected before benefits could be paid out;
   6. An estimate of the likely impact on medicaid rolls, if any;
   7. A statement on the minimum and maximum age for employed persons to be eligible to enroll;
   8. Definition of "employment" for purposes of determining eligibility of benefits;
   9. Minimum period of premium payment before eligibility of benefits;
   10. A statement on the length of benefit coverage;
   11. A statement on the amount of cash benefit, whether it varies by disability level, and whether it has an inflation adjustment over time;
   12. A statement on whether individuals need to pay in for life, until retirement, or until they have paid in for a specified number of years;
   13. A statement on whether premiums should be level or increase with inflation over time;
   14. A statement on whether low-income individuals should be exempt from participation;
   15. A statement on a graduated, sliding fee premium;
   16. A statement on how the program should be administered;

17. A statement of actuarial assumptions and methods used to determine costs and a detailed explanation of any change in actuarial assumptions or methods; and
18. A statement on what tax incentives could be included for long-term care insurance premiums.

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

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

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

1. In conjunction with the feasibility study, cost projections of the various policy options; and
2. The amount of the mandatory tax required to implement a mandatory long term care financing program in the State.

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

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

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

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

In summary, a public long-term care insurance program provides a long-term care financing solution that would expand the number of people who would receive benefits to help pay for future long-term care costs. An actuarial analysis is necessary to determine the parameters for such a program.

We urge you to support HB 1, HD1

Thank you for the opportunity to testify.

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[1] AARP Across the States, 2012, Profiles of Long-Term Services and Supports
[2] Kemper, Komisar, Alecxih, Long-Term Care an Uncertain Future: What Can Current Retirees Expect, 2005. Inquiry 42(4): 335-350.

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[3] AARP A New Way of Looking at Private Pay Affordability of Long-Term Services and Supports, 2012
[4] AARP 2011 State Long-Term Services and Supports Scorecard
[5] AARP Hawaii Survey of Hawaii 50+ Residents on Long-Term Care,2012.
[6] Hawaii Executive Office on Aging, Section II, Utilization and Expenditure Profiles, 2012.
[7] AARP Valuing the Invaluable, 2011 Update, The Growing Contributions and Costs of Family Caregiving
[8] Long-Term Care Reform in Hawaii: Report of the Hawaii Long-Term Care Commission, January 18, 2012

February 19, 2013

To: House Finance Committee
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

From: Karen Muronaka
FACE Senior Issues Committee

Date: Thursday, February 21, 2013
Time: 11:00 A.M.
Place: Conference Room 308, Hawaii State Capitol

RE: Testimony supporting House Bill 1

I support House Bill 1, which funds a Feasibility Study for a limited, mandatory, public long term care insurance program for the State's working population. Many, if not most senior citizens, lack Long Term Care Insurance for a number of reasons. We invested in our children's health, education and well being. We saved to purchase a suitable home for our families. We supported our aging parents physically and financially. Some elders are supporting their adult children who lost their jobs during the Great Recession.

Hawaii needs a Long Term Care Insurance feasibility study which clearly informs the public of the benefits and limitations of such insurance. We need to know how much it will cost and whether pre-existing conditions will deny us the ability to acquire such policies. The latter is especially important because unlike the Affordable Care Act, which prohibits exclusions because of pre-existing conditions, that prohibition applies only to health insurance plans or policies, not to current Long Term Care Policies. Many people can no longer acquire additional Long Term Care Insurance because we developed chronic health conditions as we aged.

People with young families need to balance the anticipated cost of their children's education with the expenses of acquiring Long Term Care Insurance while they are young and healthy. Hopefully, a Feasibility Study will clarify whether we can anticipate comfortable senior years - or not.

Sincerely,

Karen Muronaka
46-271 Hoauna St.
Kaneohe, HI 96744
(808) 247-4202

HB1
Submitted on: 2/20/2013
Testimony for FIN on Feb 21, 2013 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kimberly Harman	Faith Action for Community Equity	Support	Yes

Comments: FACE Hawaii is in full support of HB1 & HB2. Paying for quality Long Term Care is out of reach for most of us in Hawaii and most of our members do not consider LTC insurance until it is too late. Together, HB1 and HB2 would educate all of us on exactly how we can provide a solution for our families. In the fall of 2012, FACE Hawaii conducted a survey of 200 families from Maui and Oahu about families' understanding of the true cost of Long-Term Care and what resources are currently available to Hawaii families. We found the following: #1: 62% of respondents expect to pay less than $15.00 per hour for in-home long-term care, even though the average cost for this care is estimated at $25.25 per hour. #2: More than half of respondents (53%) expected to pay the full cost of in-home long-term care out-of-pocket. #3: 36% of respondents are depending on Medicare and Medicaid to cover the full cost of a Home Care Aide for long-term care (which is not possible). #4: 60% of respondents say they have “no access” to guidance on long-term care. #5: Respondents are most in need of information about long-term care insurance (67%) and Medicare. FACE believes that how to pay for Long-Term Care Insurance is on of the biggest problems facing Hawaii's families. Young families are draining their savings to pay for care for parents and grandparents, family members are having to turn down paid work opportunity in order to stay home with families members who need care, and without a large pool of patients who can pay a living wage, Care Givers are often forced to work outside their expertise have to accept under-the-table pay with no benefits. We need a solution to these problems and we need to encourage our families, friends and neighbors to plan for their own long-term care needs. HB2 and HB2 will help us. Thank you for hearing these bills today.

FAITH ACTION FOR COMMUNITY EQUITY

RESULTS OF FACE'S LONG-TERM CARE SURVEY

RELEASED IN HONOR OF GRANDPARENTS' DAY

SEPTEMBER 9, 2012

PURPOSE

This purpose of this survey was to get a baseline understanding of what our members know about the costs of aging-in-place, where our families are getting advice and resources about long-term care and aging-in-place, and if our members need more information on what it will take to plan for and save for aging-in-place in Hawaii.

In addition, hundreds of FACE members work as Home Care Aides and Certified Nursing Assistants as their primary job. Many of these women are reporting to us that potential clients are offering them a few dollars an hour, often less than half of minimum wage, to care for them in their homes. If FACE is going to succeed in making Home Care jobs better jobs in Hawaii, we need to do what we can to make sure that families have all the information they need to plan and save so that they are able to pay for the quality care they expect and deserve.

FINDINGS

- 62% of respondents expect to pay less than $15.00 per hour for in-home long-term care, even though the average cost for this care is estimated at $25.25 per hour.[1]
- More than half of respondents (53%) expected to pay the full cost of in-home long-term care out-of-pocket.
- 36% of respondents are depending on Medicare and Medicaid to cover the full cost of a Home Care Aide for long-term care.
- 60% of respondents say they have “no access” to guidance on long-term care.
- Respondents are most in need of information about long-term care insurance (67%) and Medicare and Medicaid reimbursement procedures (60%).
- 96% of respondents agree that Home Care Agencies should be licensed by the State of Hawaii.

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1 Genworth Financial 2011 Cost of Care Survey

SURVEY RESULTS

Results of Question #1: **In your opinion, should home care agencies (agencies that place Home Care Aides with families for a fee) be required to be licensed by the State of Hawaii?**

96% of respondents agreed that Home Care Agencies should be licensed by the State of Hawaii.

Results of Question #2: **What training would you expect of a Home Care Aide you employ to care for a family member?**

a) High School Diploma	96%
b) CPR and First Aid	98%
c) Certification/CNA	75%
d) Some College*	23%
e) College Degree*	4%

*in a health related field

Results of Question #3: **How much would you expect a Home Care Aide working in your home to be paid per hour?**

a) Less Than Minimum Wage	3%
b) $7.25-$8.00 per hour	2%
c) $8.01-$10.00 per hour	8%
d) $10.01-$12.00 per hour	21%
e) $12.01-$14.00 per hour	43%
f) More than $14.00 per hour	23%

Results of Question #4: **How much would you expect to pay per hour to a Home Care Agency to provide a Home Care Aide to care for a loved one at their home?**

a) Less Than $15.00 per hour	62%
b) $15.00-$18.00 per hour	26%
c) $18.01-$21.00 per hour	7%
d) $21.01-24.00 per hour	1%
e) $25.01-$27.00	2%
f) More than $27.00 per hour	2%

<u>Results of Question #5:</u> **How will your family pay the cost of a Home Care Aide?**

a)	Out-of-Pocket	75%
b)	Medicare/Medicaid Reimbursement	59%
c)	Private Long-Term Care Insurance	20%
	Only Out-of-Pocket	53%
	Only Medicare/Medicaid Reimbursement	36%
	Only Private Long-Term Care Insurance	11%

<u>Results of Question #6:</u> **Where does your family get information and guidance for planning your family's long-term health care needs?**

a)	Private Financial Advisers	25%
b)	Bank or Credit Union	11%
c)	Union or Retirees Club	23%
d)	Community/Cultural Organization	39%
e)	Local News	1%
f)	No Access	60%
g)	(Write in) Internet	1%

<u>Results of Question #7:</u> **What information would be most helpful to your family in planning for future aging-in-place and long-term health care decisions?**

a)	Cost/Pricing for Home Care Services	48%
b)	Home Care Agency Referrals	50%
c)	Home Care Training Opportunities For Family Members	48%
d)	Medicare/Medicaid Reimbursement	60%
e)	Long-Term Care Ins. Providers/Costs	67%
f)	A Guide To Determining Appropriate Level of Care For Loved One	52%

Note: 40% of respondents checked all boxes.

CONCLUSION

Our local families are going to need access to a lot more resources for planning for and paying for long-term care and successful aging-in-place in Hawaii. More work is needed to identify more precisely what resources and assistance our families need and how we can assure families access to those resources.

Other states inlcuding New York, Virginia and Indiana have created training and certification standards specifically for Home Care Aides who want to provide quality in-home care to those who choose to age-in-place. The State of Hawaii does not recognized or require any specialized training or certification for in-home care, leaving both patients and care provider without guidance or standards.

On Maui and Big Island, our Aging and Disability Resource Centers are leading the way to creating "one-stops" for seniors where they can get information on all federal, state and local programs as well as home care and aging-in-place resources and advice. For the island that already have these one-stops, we need to make sure our seniors are taking advantage of their services. For the island that have not created these one-stops yet, we need to support their creation.

METHODOLOGY

FACE created a 7-question survey which we distributed in person after church services, at FACE meetings and by email using a link to an on-line version through Survey Monkey. We began distribution June 1, 2012 and finished collecting surveys on August 30, 2012. All surveys were completed by FACE members.

Thirty-one of the 200 surveys we collected included handwritten comments. For the purposes of calculating our results, we included comments when they clearly offered alternative answers to the survey questions and did not include other written comments or questions.

When respondents completed paper copies of the survey, they often asked for clarification for some of the questions, most often for questions 4 and 5. Clarification was not available for respondents using the on-line version of the survey.

ABOUT FACE

Faith Action for Community Equity (FACE) is a faith-based grassroots organization in Hawaii founded in 1996. FACE grew out of a sponsoring committee established in the mid-1990s with the assistance of the Center for Community Change. In November 2008 FACE became a statewide organization when our Maui chapter was founded. We currently have a membership base of 27 institutions on Oahu, 24 on Maui, and one statewide institution. Combined on both islands, we are made up of 38 churches, a Buddhist temple, 2 Jewish congregations, 10 community groups and non-profit organizations, and one labor union. FACE's membership reflects the cultural and socio-economic diversity of our community.

FACE exists to allow its members to live out our common, faith-based values by engaging in actions that challenge the systems that perpetuate poverty and injustice. We balance social, economic and community activity with a deep spiritual commitment. Our spiritual centeredness empowers us to return hope and love to the public arena.

NAIFA

HAWAII

House Committee on Finance
Hearing Date: February 21, 2013
Time: 11:00 am Room 308

RE: HB 1, HD1 – Relating to Long Term Care

Chair Luke 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.

HB 1, HD1, is a product of one of the 2012 Long Term Care Commission's (Commission) recommendations to study a public insurance program to provide **modest support through <u>mandatory</u> contributions.** Funding was not appropriated last session nor did the LTC Commission have the funding to undertake a sound financial analysis.

This measure directs the Director of the Executive Office on Aging to contract for an "actuarial analysis for a limited, mandatory, public long term care insurance program for the State's working population" and appropriates $380,000 for an actuarial analysis to be completed and submitted to the Director of the Executive Office on Aging by June 30, 2014 with the Director's findings and recommendations to the Legislature no later than 20 days prior to the convening of the 2015 session.

We do **<u>not</u>** support this measure because in principle, we are against a mandatory (tax) financing program. The actuarial work done back in the early 1990's under the Waihee administration for the Family Hope Program that was not enacted and again in 2002 with the Care Plus Program that the Legislature passed, vetoed by then Governor Lingle and not overridden – has to be updated if this measure moves forward.

No other state has a mandated taxing program.

Population/aging statistics have changed over the past 20 years and pages 6 to 8 of the HD1 has list of options, pricing & other financial issues, services, administration of the program, etc. The amount appropriated has to be realistic to ensure a sound study. A "limited" LTC program will benefit seniors in the short run; baby boomers moving through the system will be supported by the young and healthy.

IRS and HIPAA will need to weigh in as to the tax status of the paid out benefits. HIPAA compliance (consumer protection issues such as guarantee renewable, offer inflation protection, non forfeiture options) for LTC benefit payouts ensures a tax free benefit. If not compliant with HIPAA, then it could very well be a taxable benefit. But depending on the IRS ruling, the benefit payouts could be used as a medical deduction for qualified LTC services.

Other considerations were **not** recommended by the 2012 LTC Commission report. 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 to the LTC Commission's final report. The Commission **rejected tax incentives** for purchasing LTC insurance and **did not recommend nor oppose the Medicaid/LTC public-private partnership plan that 44 states have already adopted.**

The public-private Partnership program needs enabling legislation for Hawaii to participate. States that approve the program may extend Medicaid coverage to participants who purchase LTC insurance through the program, to be able to protect some or all of their assets from the Medicaid spend down requirements, **within income limits and home valuations**. The partnership program was designed to encourage the purchase of LTC insurance by middle income people who have the resources and healthy that would incur savings both to Medicaid, by delaying or preventing spend down to Medicaid eligibility, and to individuals by having them rely on their LTC insurance policy to cover LTC expenditures that would otherwise be paid by personal income and savings.

LTC insurance tends to be expensive for older adults due to more health issues but can be affordable for our younger citizens. The group LTC insurance market which has more discounting factors in the premium has changed considerably over the past few years and "true group" (except for very large employers) policies have been taken off the market. Issues dealing with claims due to longevity, terminal medical issues in the 1990s are now chronic today which makes claims continue for a longer period than priced, low investment return in today's market, less stringent underwriting, inadequate pricing, and low lapse rates…all have lead to more individual underwriting.

Employers can offer LTC insurance including qualifying for some discounts and generally with simplified health underwriting. LTC insurers will return to the market when interest rates rises and those in the market are developing innovative policies.

The Community Living Assistance Services and Supports (CLASS) Act was recently repealed as part of the ACA in H.R. 8, the "fiscal cliff" measure passed by Congress on January 1, 2013. The CLASS Act would have provided LTC/disability insurance through an employer based automatic deduction system, albeit a voluntary system but a "guarantee issue" with limited benefits ($50/day) irregardless of health. The program was structured to collect premiums for 5 years before payout of benefits. The Dept of Health and Human Services determined that the system could not be self sustaining and solvent for 75 years and suspended the implementation in October 2011.

H.R. 8 now sets up a new federal Commission to study and recommend to Congress, ways to address America's LTC needs and to report back in September 2013 but Congress is not required to act on the report.

Unlike private insurance, social insurance does not price risk. A mandatory program may require exactly the same amount of premium into the reserve fund regardless of the level of risk each brings into the risk pool. Therefore, as social insurance, it does not reward low risk with a correspondingly lower premium nor does it charge high risk a correspondingly higher premium. Thus, a mandatory program compels low-risk participants to subsidize high-risk participants.

Other issues include: a) A flat tax is regressive as it punishes low to moderate incomes; b) If tax collected via payroll, employers will incur additional financial burdens in addition to keeping track of employees hours for the premium/contribution; c) New bureaucracy created to administer a mandated program; d) The Care Plus Program from 10 years ago would have pulled out $90 million annually and probably invested outside of Hawaii; e) How will Medicaid treat the benefit payout for a Medicaid recipient?

LTC issues are very complex with many factors involved and there is no magic bullet. The federal Medicaid/LTC public-private Partnership program (Alaska, Utah, New Mexico, Mississippi, Michigan, Delaware & Hawaii have **no** plans) grew out of a Robert Woods Johnson demonstration grant back in the 1990's and tax incentives for LTC insurance premiums should also be seriously considered. **We are pleased that this actuarial study includes the public/private LTC Partnership program and tax incentives for LTC insurance premiums**. The catastrophic risks of LTC in all likelihood will be addressed by both the public and private sectors working together. Policymakers will have to determine how public programs can be structured in conjunction with the private market to assure efficient and equitable outcomes for the taxpayers and consumers.

Mahalo for allowing us to share our views.

Cynthia Takenaka
Executive Director
808-394-3451

To: Committee on Finance, Representative Sylvia Luke, Chair

Date: Thursday, February 21, 2013, State Capitol Conference Room 308, 11:00 a.m.

Re: HB1, HD1- Relating to Long Term Care

Chair Luke and Committee Members:

Thank you for the opportunity to submit written testimony in STRONG SUPPORT of HB1, HD1 Relating to Long Term Care. My name is Mrs. Chalintorn N. Burian Ph.D. and I am a retiree, with a 90 year-old who has been bed-ridden due to Parkinson's Disease. I live in the Paauilo-Mauka area on the Big Island. I seek your strong support in passing the bill HB1, HD1. The passage of this bill is vital as:

- Long-term care services are largely unaffordable to me and my relatives, such as now experienced by my mother's situation. Most of my family and relatives need to spend their paychecks on daily living expenses for themselves, their children and grandchildren.
I am of the baby-boomer generation. Lots of us are entering aging at the same time. The study shows that approximately 70% of people age 65 and older will need long-term care services in their lifetime. I don't want to depend upon my family to help with my future long-term care needs. I am aware that there are some private long-term care insurances. However, my family cannot afford to purchase private long-term care insurance, even though it will pay for a large portion of their future long-term care costs. A lot of us are hoping for a public long-term care insurance program which will go a long way in helping our families pay for future long-term care costs. We would support an affordable public long-term care insurance program. Even a modest benefit from a long-term care insurance program would give us more peace of mind.

- I understand that The Hawaii Long-Term Care Commission in its 2012 report to the Legislature indicated that a limited, mandatory public long-term care insurance may be the only option that will provide insurance coverage to a majority of residents and benefit people with a wide range of income and assets. I would like to better understand the premiums and benefits with a public long-term care insurance program. An actuarial analysis would provide a basis for determining the parameters of a public long-term care insurance program.

I urge you to support not only seniors, but younger generations by voting **yes** on HB1, HD1.

Chalintorn N. Burian, Ph.D.
Paauilo-Mauka, Hawaii District

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finance1-Christie

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 19, 2013 3:34 PM
To: FINTestimony
Cc: kirsten.e.thornton@gmail.com
Subject: Submitted testimony for HB1 on Feb 21, 2013 11:00AM

HB1
Submitted on: 2/19/2013
Testimony for FIN on Feb 21, 2013 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kirsten Thornton	Individual	Support	No

Comments: I am MSW student at Hawaii Pacific University and I want to express my support of this Bill.

Please note that testimony submitted less than 24 hours prior to the hearing , improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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finance1-Christie

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 19, 2013 11:34 PM
To: FINTestimony
Cc: phillipsa008@hawaiiantel.net
Subject: Submitted testimony for HB1 on Feb 21, 2013 11:00AM

HB1
Submitted on: 2/19/2013
Testimony for FIN on Feb 21, 2013 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen Phillips	Individual	Support	No

Comments: I support this bill. Long term care is a necessary area that we need to explore...Something has to be done now. Survey shows that many people are unable to pay for long term care for even a year. I myself would be unable to afford this. My family will have to endure the problem as much as I hate to admit this. The cost of owning our own home has taken a toll financially and putting children to college....Long term care insurance is priced to high for us now. Your help in looking into to this is greatly appreciated.

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To: **Committee on Finance, Representative Sylvia Luke, Chair**

Date: **Thursday, February 21, 2013, State Capitol Conference Room 308, 11:00 a.m.**

Re: **HB1, HD1 - Relating to Long Term Care**

Chair Luke and Committee Members:

Thank you for the opportunity to submit written testimony in STRONG SUPPORT of HB 1 - Relating to Long Term Care. My name is Mary D Wagner and I am a concerned citizen of Wailuku, Maui.

I strongly support the passage of this bill and believe this bill is vital to all members of our community.

I am of the boomer generation and fast approaching the time in my life when assisted living may be necessary. I have an older sibling who resides full time in a care facility. I understand the needs facing those serving as caregivers for family members as well as those of in need of care. I am someone who has experienced serious health challenges in recent years. While ill, I was forced to travel to the mainland to seek care and assistance from family (a younger sibling). I would have preferred to remain in the shelter and comfort of my own home while receiving treatment. However, while that was not possible for me, this bill will make it possible for others who may find themselves faced with a similar situation. No one plans to be a burden, financially, physically, or emotionally, to his or her family. However, a lack of financial resources along with individual health circumstances, cause this to happen every day.

Because of my personal experiences, I understand the need for long-term care and ask for your consideration and support of HB 1 to ensure that care is available when the need may arise.

The private long-term care insurance industry is shrinking and prices are rising. In addition, carriers are limiting their coverage. According to a September 19, 2012 report by Moody's, since 2010, five key insurance carriers have exited the long-term care market. They include Prudential and MetLife. John Hancock remains as the dominant provider. Long-term care insurance rates are rising and offer fewer benefits.

Long-term care affects the middle class the most as they are the ones who risk losing their properties and lifelong savings to the growing costs of care for themselves or other family members. You should understand that Hawaii families risk losing all assets, even those hard earned retirement funds and long held family properties, to the rising costs of long-term care.

Because private long-term insurance providers are fleeing the market and those remaining are escalating prices, it is crucial that the State of Hawaii provide direction and take the lead on this issue. We need to provide a public option for a long-term care insurance program.

Representatives, I urge you to support our aging community by voting yes on HB 1.

Mary D Wagner
Wailuku, Maui

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 20, 2013 2:22 PM
To: FINTestimony
Cc: jtomoso@hawaii.rr.com
Subject: Submitted testimony for HB1 on Feb 21, 2013 11:00AM

HB1
Submitted on: 2/20/2013
Testimony for FIN on Feb 21, 2013 11:00AM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
John A. H. Tomoso	Individual	Support	No

Comments: RE: HB 2 RELATING TO LONG TERM CARE. (Companion SB104) Aloha kakou, I am in favor of the Director of the EOA to be given the funds 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, with reporting back to the Legislature. The costs of LTC insurance are an issue for many, especially my age. I am 59 years old and both my wife and I bought LTC Insurance when we were 49 years old, because we knew that to wait would make it cost prohibitive. I know that many "Boomers" my age are not prepared to decide and buy LTC Insurance. This policy and actuarial analysis will help people to decide and assist our state government in forming and promulgating public policy that is cognizant and reflective of the growing level of aging and longevity in our state and communities. Mahalo John A. H. Tomoso, MSW, ACSW, LSW 51 Ku'ula Street Kahului, Maui, HI 96732-2906

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