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Committee on Ways and Means

HB1, HD2, SD1 RELATING TO LONG TERM CARE

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

Monday, March 25, 2013; Conference Room 211

9:20 a.m.

- 1 **EOA's Position:** The Executive Office on Aging (EOA) supports this measure.
- 2 **Fiscal Implications:** Appropriates an unspecified amount for FY2013-2014 for the performance
- 3 of a policy analysis and actuarial study.
- 4 **Purpose and Justification:** The majority of Hawaii's older adults will likely develop one or
- 5 more serious chronic illnesses, requiring some level of long-term care. Yet, relatively few people
- 6 of any age are prepared to pay the high cost of long-term care for any length of time. In 2012,
- 7 Hawaii's Long Term Care Commission recommended that the Legislature consider creating a
- 8 mandatory, social long term care financing program to help Hawaii's residents pay for long term
- 9 supports and services. Two previous attempts to establish a publicly funded long term care
- 10 financing program were unsuccessful. The Commission recommended that, as a first step, the
- 11 Legislature fund a feasibility study, along with an actuarial analysis, of the design and possible
- 12 costs of such a financing program. Thank you for the opportunity to testify.

TO: SENATE COMMITTEE ON WAYS AND MEANS
Senator David Y. Ige, Chair

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

HEARING: Monday March 25, 9:20 am
Conference Room 211, Hawaii State Capitol

SUBJECT: HB1 HD2 SD1 Relating to Long-Term Care (Kupuna Caucus Package)

POSITION: The Policy Advisory Board for Elder Affairs **strongly** supports the intent of
HB 1 HD 2 SD 1.

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.

This bill appropriates funds for a feasibility study and an actuarial analysis as a necessary first step in obtaining the information needed to offer a proposed bill in the next Legislative session to establish a limited mandatory public long term care insurance program.

The Long-Term Care Commission recommended a limited mandatory public long term care insurance program for employees as the most viable way to increase funding for the long-term care services which will be needed in the future. The proposed insurance would cover employees meeting the vesting period with a limited but meaningful benefit should they face the need for long term care. No other option considered would raise revenue for long-term care and provide coverage to the vast majority of residents.

Thank you for allowing me to testify on this bill.



To: Committee on Ways and Means
Senator David Y. Ige, Chair

Date: March 25, 2013, Conference Room 211, 9:20 a.m.

Re: **HB 1, HD2, SD1 – RELATING TO LONG TERM CARE**

Chair Ige 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, HD2, SD1 - Relating to Long Term Care**. This bill appropriates funds for a feasibility study and an actuarial analysis for a limited, mandatory, public long-term care insurance program for Hawaii's working population. We are requesting that \$380,000 be appropriated for this feasibility study and actuarial analysis.

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 survey⁵ conducted in November 2012 found that:

1. 59% of 50+ residents in Hawaii would support a public long-term care insurance 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.

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 needs. A feasibility study and an actuarial analysis are necessary to determine the parameters for such a program.

We urge you to support HB 1, HD2, SD1.

Thank you for the opportunity to testify.

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.

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

Twenty-Seventh Legislature
Regular Session of 2013

THE SENATE

Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
State Capitol, Conference Room 211
Monday March 25, 2013; 9:20 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1, HD2, SD1
RELATING TO LONG TERM CARE**

The ILWU Local 142 strongly supports H.B. 1, HD2, SD1, which requires 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 insurance program for the State's working population and appropriate funds.

Very few Hawaii residents can afford the cost of long-term care, which now runs about \$10,000 a month for nursing home care. Yet more and more people will find themselves needing long-term care as they live longer but are not able to live independently. Prospects of having to meet these costs are frightening to those who are aware of their magnitude.

Over the past two decades, the Legislature has considered several long-term care financing vehicles. The first was Family Hope, which would have taxed wage earners and established a fund for vested participants to tap into for long-term care needs. The Executive Office on Aging took the lead and worked with advocates, but Family Hope measures failed to pass the Legislature. Tax credits also were promoted to encourage the purchase of long-term care insurance, but those failed. Finally, Care Plus was proposed as a simple program to tax each wage earner \$10 a month and allow them to access up to \$70 a month after a 10-year vesting period. However, Care Plus was never implemented.

While H.B. 1, HD2, SD2 does not propose specific long-term care financing, it does propose funding a feasibility study and an actuarial analysis that will recommend a program to provide for long-term care needs. We know the program must be mandatory (no one can opt out), public (government-supported and managed) and limited (will not provide full coverage). We believe it is possible to develop a program that will be affordable yet help to support the long-term care needs of Hawaii's people.

The ILWU urges passage of H.B. 1, HD2, SD1. Thank you for the opportunity to share our views on this important matter.