

# **HB 1, HD2**

Measure Title: RELATING TO LONG TERM CARE.

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)

Companion: SB104

Package: Kupuna

Current Referral: HMS/CPN, WAM

Introducer(s): TAKAYAMA, BELATTI, HANOHANO, ICHIYAMA, ITO, KAWAKAMI, KOBAYASHI, MIZUNO, OHNO, ONISHI, SAY, TAKUMI, TSUJI, Aquino, Cullen, Jordan, Thielen

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



WESLEY LUM, PhD, MPH  
DIRECTOR

LORETTA FUDDY, ACSW, MPH  
DIRECTOR OF HEALTH

Telephone  
(808) 586-0100

Fax  
(808) 586-0185

STATE OF HAWAII  
EXECUTIVE OFFICE ON AGING  
NO. 1 CAPITOL DISTRICT  
250 SOUTH HOTEL STREET, SUITE 406  
HONOLULU, HAWAII 96813-2831

**Committee on Human Services**

**Committee on Commerce and Consumer Protection**

**HB1, HD2, RELATING TO LONG TERM CARE**

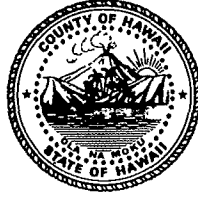
**Testimony of Wes Lum  
Director, Executive Office on Aging  
Attached Agency to Department of Health**

**Tuesday, March 19, 2013; Conference Room 229**

**9:30 a.m.**

1 **EOA's Position:** The Executive Office on Aging (EOA) supports this measure but we prefer the  
2 language of SB104, SD2. Additionally, we would like to request one amendment.  
3 **Fiscal Implications:** Appropriates an unspecified amount for FY2013-2014 for the performance  
4 of a policy analysis and actuarial study.  
5 **Purpose and Justification:** To guide EOA and to clarify legislative intent, we would appreciate  
6 an amendment that offers additional criteria when designing the financing program: a statement of  
7 the return on investment to specifically address where the resources will reside (i.e. in a special  
8 fund/separate account for long-term care resources) and the investment strategy for these  
9 resources. These additional criteria would be helpful in the public discourse when designing the  
10 financing program. Thank you for the opportunity to testify.

William P. Kenoi  
Mayor



Alan R. Parker  
Executive on Aging

## County of Hawai'i

### OFFICE OF AGING

Aging and Disability Resource Center, 1055 Kino'ole Street, Suite 101, Hilo, Hawai'i 96720-3872  
Phone (808) 961-8600 • Fax (808) 961-8603 • Email: hcoa@hawaiiintel.net  
West Hawai'i Civic Center, 74-5044 Ane Keohokālole Highway, Kailua-Kona 96740  
Phone (808) 323-4390 • Fax (808) 323-4398

March 18, 2013

TESTIMONY TO: Senate Committee on Human Services  
Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, M.D., Vice Chair  
Senate Committee on Commerce & Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Brickwood Galuteria, Vice Chair

SUBJECT: **HB 1, HD 2 - RELATING TO LONG TERM CARE**  
Tuesday, March 19, 2013  
9:30 a.m.  
Hawai'i State Capitol, conference room 229

Honorable Chairs and Members of the Committee:

Thank you for the opportunity to submit written testimony in **strong support** of HB 1 – RELATING TO LONG TERM CARE (LTC) that requires the Executive Office on Aging to contract for the performance of an actuarial analysis and report for a limited, mandatory, public long-term care program for the State's working population. I am Alan Parker, Executive on Aging for the Hawai'i County Office of Aging (HCOA).

According to the Hawai'i Long Term Care Commission, a limited, mandatory, public long term care insurance program may be the only option that will provide insurance coverage to a large majority of people and benefit those with a wide range of income and assets. An actuarial analysis is needed to provide the basis for a determination on a mandatory tax to implement this program.

We must act now. The senior population is growing rapidly with statistics indicating that 70% of people over the age of 65 will need long term care services in their lifetime. In Hawai'i County alone the number of individuals over the age of 60 is projected to double in the next 20 years; from 40,376 in 2010 to close to 80,000 in 2030.

Thank you again for the opportunity to provide testimony in strong support of HB 1, HD 2.

Sincerely,

Alan R. Parker, Executive on Aging



**TO:** SENATE COMMITTEE ON HUMAN SERVICES  
Senator Suzanne Chun Oakland, Chair

SENATE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE  
Senator Rosalyn H. Baker, Chair

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

**HEARING:** Tuesday March 19, 9:30 am  
Conference Room 229, Hawaii State Capitol

**SUBJECT:** HB1 HD2 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 with a suggested amendment.**

**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 and which 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 considered 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 a policy analysis to determine the features of the insurance program and 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:**

We prefer the wording in SB 104 SD2. HB2 HD 2 Section 2 (b) (4) requests that the policy analysis include tax incentives for private insurance and the public-private partnership which uses asset protection under Medicaid as an incentive to purchase private insurance. The Long-Term Commission analyzed these policy options and found in both instances studies in other states found that the these programs did not result in increases in purchasing private insurance and the effect was to benefit primarily affluent citizens who are the purchasers of private insurance. The Commission recommended against the options as inconsistent with the policy goals of the commission for a program which would cover a large percentage of our population, not increase inequality in coverage, and would reduce reliance on Medicaid.

Thank you for allowing me to testify on this bill.



To: Committee on Human Services  
Senator Suzanne Chun Oakland, Chair

Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair

Date: March 19, 2013, Conference Room 229, 9:30 a.m.

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

Chair Chun Oakland, Chair Baker, 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 - Relating to Long Term Care**. This bill appropriates funds for a policy analysis 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 a policy analysis and an 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.<sup>1</sup>
2. Approximately 69% of people who turned 65 in 2005 will need long-term care before they die.<sup>2</sup>
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.<sup>3</sup>
4. Only 12% of Hawaii residents over 40 years old have a long-term care insurance policy.<sup>4</sup> The reason cited for not purchasing a policy is the cost, and the preoccupation with meeting daily living expenses.<sup>5</sup>

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,<sup>6</sup> 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.<sup>7</sup> 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.<sup>1</sup>

#### 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:<sup>8</sup>

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<sup>5</sup> 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 costs. A policy analysis and an actuarial analysis are necessary to determine the parameters for such a program.

We urge you to support HB 1, HD2.

Thank you for the opportunity to testify.

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<sup>1</sup> AARP Across the States, 2012, Profiles of Long-Term Services and Supports

<sup>2</sup> Kemper, Komisar, Alecxi, Long-Term Care an Uncertain Future: What Can Current Retirees Expect, 2005. Inquiry 42(4): 335-350.

<sup>3</sup> AARP A New Way of Looking at Private Pay Affordability of Long-Term Services and Supports, 2012

<sup>4</sup> AARP 2011 State Long-Term Services and Supports Scorecard

<sup>5</sup> AARP Hawaii Survey of Hawaii 50+ Residents on Long-Term Care, 2012.

<sup>6</sup> Hawaii Executive Office on Aging, Section II, Utilization and Expenditure Profiles, 2012.

<sup>7</sup> AARP Valuing the Invaluable, 2011 Update, The Growing Contributions and Costs of Family Caregiving

<sup>8</sup> Long-Term Care Reform in Hawaii: Report of the Hawaii Long-Term Care Commission, January 18, 2012

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HMS Testimony](#)  
**Cc:** [KIMHARMAN@FACEHAWAII.ORG](mailto:KIMHARMAN@FACEHAWAII.ORG)  
**Subject:** Submitted testimony for HB1 on Mar 19, 2013 09:30AM  
**Date:** Monday, March 18, 2013 9:23:13 AM  
**Attachments:** [LTC results pdf.pdf](#)

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HB1

Submitted on: 3/18/2013

Testimony for HMS/CPN on Mar 19, 2013 09:30AM in Conference Room 229

| Submitted By    | Organization                      | Testifier Position | Present at Hearing |
|-----------------|-----------------------------------|--------------------|--------------------|
| Kimberly Harman | Faith Action for Community Equity | Support            | No                 |

Comments: FACE would like to voice its STRONG SUPPORT for HB1. Our younger families are draining their savings to care for aging parents, our older families are trying to purchase long-term care insurance but are being denied due to pre-existing conditions. The costs of providing quality care to our loved ones has far surpassed what the average family can pay on its own. Please see the attached survey results from the a 2012 long-term care survey FACE conducted with over 200 families on Maui and Oahu.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



**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.<sup>1</sup>
- 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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<sup>1</sup> 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%

**Results of Question #5:      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% |

**Results of Question #6:      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%  |

**Results of Question #7:      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<br>For Family Members            | 48% |
| d) Medicare/Medicaid Reimbursement                                   | 60% |
| e) Long-Term Care Ins. Providers/Costs                               | 67% |
| f) A Guide To Determining Appropriate<br>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 including 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 recognize 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.

# Hawai'i Alliance for Retired Americans (HARA)

*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*

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*(Submitted by email to: HMStestimony@capitol.hawaii.gov)*

Testimony of Al Hamai in **support** of HB1, HD2, Relating to LTC

## **Senate Committees on Human Services and on Commerce and Consumer Protection**

**March 19, 2013, 9:30 a.m. Conference Room 229**

Chair Suzanne Chun Oakland and Chair Rosalyn H. Baker and Members of the Committees,

HARA supports HB1, HD2 and has presented testimony in support of the Kupuna Legislative Caucus companion bill, SB104, which was approved, as amended by the Senate.

Please approve this bill so that a policy analysis and actuarial analysis may be conducted immediately to help define public policy issues that the legislature may need to consider to address the long term care issues facing our state.

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.*



HUStestimony@capitol.hawaii.gov

Chair Oakland, Chair Baker, and Committee Members:

My name is Valorie Taylor. I am President of the Hawaii Family Caregiver Coalition. HFCC seeks to improve the quality of life of family members who give and receive care, through advocacy, outreach, and education related to the needs of family caregivers. The Coalition **Strongly supports** House Bill 1, HD 2 relating to long-term care. This bill provides funds to allow the executive office on aging to contract for studies needed to provide the factual basis for a limited, mandatory, public long-term care insurance bill for the citizens of Hawaii.

These studies constitute a critically important step in creating a system which will help the great majority of Hawaii's citizens pay for long-term care in future years. All of the available research indicates that most people have no clear idea of what long-term care costs, nor do they understand that the majority of people will develop one or more serious chronic conditions as they grow older. Many such conditions will require long-term care services, either in the home or in an institutional setting. People do buy life insurance, because they understand how their deaths would affect their families. However, relatively few people purchase private long-term care insurance either because of the cost; lack of awareness of the risks; or the belief that Medicare or other insurance will cover LTC costs. A public long-term care insurance program would go a long way toward helping the majority of Hawaii's families pay future long-term care costs.

We have frequently come before you to discuss the needs of Hawaii's older generation. This bill speaks to the needs of future generations, and we urge you to support it by voting yes on House Bill 1, HD 2.

Thank you for the opportunity to share the Coalition's view of this very important bill.

Valorie Taylor, President  
Hawaii Family Caregiver Coalition

Twenty-Seventh Legislature  
Regular Session of 2013

THE SENATE

Committee on Human Services

Senator Suzanne Chun Oakland, Chair

Senator Josh Green, Vice Chair

Committee on Commerce and Consumer Protection

Senator Rosalyn H. Baker, Chair

Senator Brickwood Galuteria, Vice Chair

State Capitol, Conference Room 229  
Tuesday, March 19, 2013; 9:30 a.m.

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

The ILWU Local 142 **strongly supports** H.B. 1, HD2, which requires 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 and appropriates 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 does not propose specific long-term care financing, it does propose funding policy and actuarial analyses 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. Thank you for the opportunity to share our views on this important matter.



HAWAII

Senate Committee on Human Services  
Senate Committee on Commerce & Consumer Protection  
Hearing Date: March 19, 2013  
Time: 9:30 am Room 229

**RE: HB 1, HD2 – Relating to Long Term Care**

Chair Chun Oakland, Chair Baker and members of the Committees, 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.

HB1, HD2, is similar to SB104, SD2, that was sent over to the House – both bills are products of one of the 2012 Long Term Care Commission’s (Commission) recommendations to study a public insurance program to provide **modest support through mandatory 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 “a policy analysis to craft the details of the social insurance proposal....”and appropriates a blank amount for policy and actuarial analyses 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 by September 1, 2014 – Sections 4 & 5).

While we do **not** support a taxing (mandatory) proposal in and of itself because in principle, we are against a mandatory (tax) financing program. Having said that...Section 2 of this measure directs the Director of the Executive Office on Aging to contract for a policy analysis. We do **support** Section 2(4) on page 5 of the bill:

“An analysis of possible alternatives that were **not** policy options identified in the Long Term Care Commission’s recommendations to the Legislature dated January 18, 2012, including tax incentives for the purchase of long term care insurance and the Medicaid or long term care public private partnership plan that has been adopted in other states.”

**No other state has a mandated taxing program.**



Section 3 of this measure relates to the actuarial analysis. The actuarial work completed back in the early 1990's under the Waihee administration for the Family Hope Program was not enacted and again in 2002 with the Care Plus Program that the Legislature passed, vetoed by then Governor Lingle and not overridden.

Population/aging statistics have changed over the past 20 years and pages 4 and 5 of HB1, HD2, 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 in regards to both the benefit recipient and the caregiver/provider of services. 1099s are required for miscellaneous income over \$600 annually. HIPAA compliance (consumer protection issues such as guarantee renewable, offer inflation protection, non forfeiture options, etc.) 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 (in 2013 increase from 7.5% to 10% of adjusted gross income).

Other considerations were **not** recommended by the 2012 LTC Commission report. In 2010, 80% of respondents in the Hawaii LTC Survey **avored** 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 Medicaid/LTC public-private partnership requires enabling legislation for Hawaii to participate. The administration's position last session was against the "partnership" program. 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 marketplace currently are developing innovative policies such as life/LTC hybrids and premiums tied to a market index.

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) regardless 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.

Spreading risk and pricing risk are important economic functions. Private insurance have a legal and fiduciary responsibility to their insureds by pricing coverage at a sufficient level to accumulate reserves to pay the anticipated claims. Private policyholders have a legal contract to assure recourse in matters of disputes and insolvency.

Other issues include: a) A flat tax is regressive as it punishes low to moderate incomes; b) If the tax is 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 Wood Johnson demonstration grant back in the 1990's.

**We are pleased that the policy 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 Human Services, Suzanne Chun Oakland, Chair, and Josh Green, Vice Chair, and Committee on Commerce and Consumer Protection, Roselyn H. Baker, Chair, and Brickwood Galuteria, Vice Chair

Date: Tuesday, March 19, 2013, State Capitol Conference Room 016, 1:25.

Re: HB 1, HD2 Relating to Long Term Care

Chair Chun Oakland, Vice Chair Green, Chair Baker, Vice Chair Galuteria and Committee Members:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of HB 1, HD2, Relating to Long Term Care. My name is Barbara J. Service and I am an AARP volunteer who lives in Senate District 8 and Representative District 19.

In 2010, the Long-Term Care Commission recommended the explorations of feasibility of a public long-term care insurance program, paid for by the working population in Hawaii. It is anticipated that 70 % of those over 65 (as well as many under that age) will need long-term care and only 12% of those over 40 in Hawaii have such insurance. Long-term care services are very expensive, especially in Hawaii, and beyond the reach of many of us. Public long-term care insurance could go a long way toward giving Hawaii families peace of mind, in planning for their later years.

Please support the funding of an actuarial analysis for the performance of a limited, mandatory, public long-term care insurance program.

I strongly urge your support of HB 1, HD2

Barbara J. Service

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HMS Testimony](#)  
**Cc:** [maucrowe@mailshack.com](mailto:maucrowe@mailshack.com)  
**Subject:** Submitted testimony for HB1 on Mar 19, 2013 09:30AM  
**Date:** Saturday, March 16, 2013 5:53:30 PM

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HB1

Submitted on: 3/16/2013

Testimony for HMS/CPN on Mar 19, 2013 09:30AM in Conference Room 229

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| james crowe  | Individual   | Support            | No                 |

Comments: This is a common sense approach to the problem of old-age security for Hawaii's kupuna.

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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To: Committee on Human Services  
Senator Suzanne Chun Oakland, Chair

Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair

Date: Tuesday, March 19, 2013, Conference Room 229, 9:30 a.m.

Re: HB 1, HD2 - Relating to Long Term Care

Chair Chun Oakland, Chair Baker, and Committee Members:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of HB 1, HD2 - Relating to Long Term Care. My name is Kathleen V. Phillips and I have been a family caregiver for my mother in the past. I live in the Pukalani area on the island of Maui. The passage of this bill is vital as:

- Long-term care services are largely unaffordable to my husband and I and our relatives. Throughout our married life, we have had to pay for our home and put our children to college. As we have gotten older we have discovered that Long-term care is out of our reach.
- My husband and I don't want to depend upon our family to help with our future long-term care needs.
- Our 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.
- Most of our family and relatives need to spend their paychecks on daily living expenses
- A public long-term care insurance program may go a long way in helping our family pay for future long-term care costs
- Our family would support an affordable public long-term care insurance program
- My husband and I would like to better understand the premiums and benefits with a public long-term care insurance program.

This bill is very important. Our family struggles to pay for day-to-day living expenses. It is really tough – even a modest benefit from a long-term care insurance program would give my husband and I more peace of mind.

I urge you to support not only seniors, but younger generations by voting **YES** on HB 1, HD2.

Kathleen V. Phillips  
Pukalani, Maui, HI

To: Committee on Human Services  
Senator Suzanne Chun Oakland, Chair

Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair

Date: Tuesday, March 19, 2013, Conference Room 229, 9:30 a.m.

Re: HB 1, HD2 - Relating to Long Term Care

Chair Chun Oakland, Chair Baker, and Committee Members:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of HB 1, HD2 - Relating to Long Term Care. My name is Lori Rogers and I live in the Hilo area. The passage of this bill is vital as:

- Long-term care services are largely unaffordable to me and my relatives.
- I don't want to depend upon my family to help with my future long-term care needs
- 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.
- Most of my family and relatives need to spend their paychecks on daily living expenses
- A public long-term care insurance program may go a long way in helping my family pay for future long-term care costs
- My family would support an affordable public long-term care insurance program
- I would like to better understand the premiums and benefits with a public long-term care insurance program.

I urge you to support not only seniors, but younger generations by voting yes on HB 1, HD2.



Lori Rogers

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HMS Testimony](#)  
**Cc:** [pc70@cornell.edu](mailto:pc70@cornell.edu)  
**Subject:** Submitted testimony for HB1 on Mar 19, 2013 09:30AM  
**Date:** Sunday, March 17, 2013 2:20:35 PM

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HB1

Submitted on: 3/17/2013

Testimony for HMS/CPN on Mar 19, 2013 09:30AM in Conference Room 229

| Submitted By   | Organization | Testifier Position | Present at Hearing |
|----------------|--------------|--------------------|--------------------|
| Nancy Callahan | Individual   | Support            | No                 |

Comments: Thank you for the opportunity to submit written testimony in STRONG SUPPORT of HB 1, HD2 - Relating to Long Term Care. My name is Patrick Callahan and I am a retired senior citizen and live on the Big island The passage of this bill is vital as: I don't want to depend upon my family to help with my future long-term care needs. 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. My family struggles to pay for day-to-day living expenses. It is really tough – even a modest benefit from a long-term care insurance program would give me more peace of mind. I urge you to support not only seniors, but younger generations by voting yes on HB 1, HD2.

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**To:** [HMS Testimony](#)  
**Cc:** [pc70@cornell.edu](mailto:pc70@cornell.edu)  
**Subject:** Submitted testimony for HB1 on Mar 19, 2013 09:30AM  
**Date:** Sunday, March 17, 2013 2:17:29 PM

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HB1

Submitted on: 3/17/2013

Testimony for HMS/CPN on Mar 19, 2013 09:30AM in Conference Room 229

| Submitted By     | Organization | Testifier Position | Present at Hearing |
|------------------|--------------|--------------------|--------------------|
| Patrick Callahan | Individual   | Comments Only      | No                 |

Comments: Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of HB 1, HD2 - Relating to Long Term Care. My name is Patrick Callahan and I am a retired senior citizen and live on the Big island The passage of this bill is vital as: I don't want to depend upon my family to help with my future long-term care needs. 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. My family struggles to pay for day-to-day living expenses. It is really tough – even a modest benefit from a long-term care insurance program would give me more peace of mind. I urge you to support not only seniors, but younger generations by voting yes on HB 1, HD2.

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To: Committee on Human Services  
Senator Suzanne Chun Oakland, Chair

Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair

Date: Tuesday, March 19, 2013, Conference Room 229, 9:30 a.m.

Re: HB 1, HD2 – Relating to Long Term Care

Chair Chun Oakland, Chair Baker, and Committee Members:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of HB 1, HD2 – Relating to Long Term Care. My name is Rochelle Ribbentrop and I am a retired nurse. My nursing career was primarily in long term care. I live at Volcano on Hawaii Island. The passage of this bill is vital as:

Simply put, neither my husband and I nor our relatives can afford long-term care. We live on a fixed income and, although we live comfortably, we could never afford to purchase long term care insurance.

My father recently fell resulting in a broken hip and subsequently a heart attack due to the trauma. He has no cash reserves to pay for long-term care so the cost has fallen upon my husband's and my shoulders. I do not want to pass that type of burden to our children.

Our children work hard to raise their families and, as we all know, raising a family is expensive. There is little left after daily expenses. To purchase private long-term insurance is not an option. However, a public long-term care insurance program would help them to plan for their future health care needs.

I support and my family supports an affordable public long-term care insurance program. We need to be educated as to cost and benefit but are more than eager to learn.

I gladly pay for my father's long-term care needs. It is the reverse of roles that is so often described. I know our children would do the same for me but with a long-term care insurance program, the burden does not need to pass along to yet another generation.

I urge you to support not only seniors, but younger generations by voting yes on HB 1, HD2.

Rochelle Ribbentrop  
Volcano, Hawaii Island