
A BILL FOR AN ACT

RELATING TO LONG-TERM CARE INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that according to the
2 Hawaii long-term care commission, only a minority of Americans
3 will ever have private long-term care insurance, even in an
4 optimistic economic environment. Therefore, an alternative that
5 matches the mandatory, universal long-term care insurance
6 programs, such as those in Japan, Germany, the Netherlands, some
7 parts of Canada, Spain, Scandinavia, and Korea, is to create a
8 more balanced delivery system for long-term care to all persons
9 who require it, regardless of their financial need.

10 The legislature also finds that according to advocates of
11 social insurance, there is no need for a welfare program, such
12 as medicaid, to be the primary funding source of long-term care.
13 Rather, a public insurance program designed to provide modest
14 income support financed through mandatory contributions by the
15 working-age population would provide a measure of financial
16 protection for individuals who are uninsurable and require long-
17 term care. In principle, a proposed public insurance program
18 would be similar to social security. Much like social security,



1 a public insurance program would not be intended to meet all
2 long-term care needs, but instead supplement, not replace,
3 private initiatives such as private long-term care insurance.

4 The legislature has attempted to address the issue of long-
5 term care since the late 1980s. Act 245, Session Laws of Hawaii
6 2002, established the Hawaii long-term care financing program to
7 provide a universal and affordable system of providing long-term
8 care. The board of trustees established by Act 245 recommended
9 funding such a program with a mandatory dedicated income tax.
10 In 2003, the legislature passed S.B. No. 1088, C.D. 1, which
11 would have implemented the design of the long-term care
12 insurance program and the requisite tax necessary to fund it.
13 However, the governor vetoed the measure, and the veto was not
14 overridden.

15 The legislature further finds that providing for and
16 funding a system of long-term care in the State remains an
17 important issue. According to the Hawaii long-term care
18 commission, a limited, mandatory, public long-term care
19 insurance program may be the only option that will provide
20 insurance coverage to a large majority of people in Hawaii and
21 benefit people with a wide range of income and assets. However,
22 the support for mandatory enrollment in a public long-term care



1 insurance program in Hawaii is low. Therefore, an actuarial
2 analysis is needed to provide the basis for a determination on a
3 mandatory tax to implement a limited, mandatory, public long-
4 term care insurance program.

5 The purpose of this Act is to establish a long-term care
6 financing task force to expand on prior legislation, including
7 Act 245, Session Laws of Hawaii 2002, and S.B. 1088, C.D. 1
8 (2003), and the recommendations of the Hawaii long term-care
9 commission to ascertain if there is public sentiment for a
10 mandatory tax to implement a long-term care insurance program
11 for all residents of the State, and contract for the performance
12 of an actuarial analysis.

13 SECTION 2. (a) The director of the executive office on
14 aging shall convene a long-term care financing task force within
15 thirty days after the effective date of this Act to ascertain if
16 there is public sentiment for a mandatory tax to implement a
17 long-term care insurance program for all residents of the State.

18 (b) The task force shall expand on the work of Act 245,
19 Session Laws of Hawaii 2002, and S.B. 1088, C.D. 1 (2003), and
20 consider and make recommendations including but not limited to
21 the following:



- 1 (1) The premium required to adequately finance various
2 program designs;
- 3 (2) The minimum and maximum ages for employed persons to
4 be eligible to enroll;
- 5 (3) The definition of "employment" for the purposes of
6 determining eligibility;
- 7 (4) The method of collecting the premium;
- 8 (5) The length of covered benefit;
- 9 (6) The amount of cash benefit, whether it should vary by
10 disability, inflation adjustment over time, and
11 whether there should be restrictions on its use;
- 12 (7) Whether people need to pay for life, until retired, or
13 until they have paid for a specified number of years
14 before becoming eligible for benefits;
- 15 (8) Whether premiums should be level or increase with
16 inflation over time;
- 17 (9) Whether low-income people should be exempt from
18 participating or whether there should be a premium
19 subsidy from general revenues;
- 20 (10) How the program should be administered; and
- 21 (11) The executive agency that should administer the
22 program.



1 (c) The task force shall include:

2 (1) The director of the executive office on aging, who
3 shall serve as chair;

4 (2) The insurance commissioner, or the commissioner's
5 designee; and

6 (3) Six individuals from the long-term care community and
7 insurance industry, three of whom shall be selected by
8 the senate president and three of whom shall be
9 selected by the speaker of the house of
10 representatives.

11 (d) In carrying out its duties under this section, the
12 task force may request staff assistance from the department of
13 health, the department of commerce and consumer affairs, the
14 department of human services, and other appropriate state and
15 county executive agencies.

16 (e) The members of the task force shall serve without
17 compensation, but shall be reimbursed for expenses, including
18 travel expenses, necessary for the performance of their duties.

19 (f) The director of the executive office on aging shall
20 submit to the legislature no later than twenty days prior to the
21 convening of the 2015 regular session a report that includes:

22 (1) The activities and findings of the task force;



1 (2) Findings and recommendations of the actuarial analysis
2 described in section 3 of this Act; and,

3 (3) Recommendations, including those listed in subsection
4 (b), and proposed legislation, if any.

5 (g) The task force shall be dissolved on June 30, 2015.

6 SECTION 3. (a) The long-term care financing task force
7 shall contract for the performance of an actuarial analysis.
8 The actuarial analysis shall be prepared by a member of the
9 American Academy of Actuaries who is a fellow of the Society of
10 Actuaries.

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

16 (1) The amount of the mandatory tax required to implement
17 a mandatory long-term care insurance program in the
18 State;

19 (2) A statement on whether the mandatory tax should be an
20 income tax, payroll tax, or dedicated percentage of a
21 general excise tax;



1 (3) A projection of the amount of benefit each resident of
2 the State would derive from paying into a trust fund
3 dedicated to providing long-term care benefits;

4 (4) An estimate on how long the tax would need to be
5 collected before benefits could be paid out; and

6 (5) An estimate of the likely impact on medicaid roles, if
7 any.

8 (c) The actuarial analysis shall be completed and
9 submitted to the director of the executive office on aging by
10 June 30, 2014. The director of the executive office on aging
11 shall submit a report, including the director's findings and
12 recommendations based on the analysis, to the legislature no
13 later than twenty days prior to the convening of the regular
14 session of 2015.

15 SECTION 4. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so
17 much thereof as may be necessary for fiscal year 2013-2014 to
18 provide reimbursements for travel expenses for task force
19 members and for the performance of an actuarial analysis.

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



H.B. NO. 1201

1 SECTION 5. This Act shall take effect on July 1, 2013.

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INTRODUCED BY:

Linda Chizama

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JAN 23 2013



H.B. NO. 1201

Report Title:

Public Long-term Care Insurance; Long-term Care Commission; Task Force; Appropriation

Description:

Establishes a task force to build on prior long-term care legislation and ascertain if there is public sentiment for a mandatory tax to implement a long-term care insurance program for all residents of the State. Requires an actuarial analysis and a report to the legislature. Appropriates funds for reimbursement for travel expenses for task force members and the actuarial analysis. Effective 7/1/13.

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