

JAN 17 2013

A BILL FOR AN ACT

RELATING TO LONG TERM CARE.

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

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

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



1 The legislature has attempted to address the issue of long
2 term care since the late 1980s. The executive office on aging
3 began to explore long term care initiatives and contracted for
4 an actuarial study for its January 1991 report, "Financing Long
5 Term Care, A Report to the Hawaii State Legislature". Two years
6 later, the Hawaii family hope program, which called for a
7 mandatory state long term care financing program, was introduced
8 during the Regular Session of 1993. Although the Hawaii family
9 hope program was not enacted, attempts to address the question
10 of financing long term care continued over the years.

11 In 2002, Act 245, Session Laws of Hawaii 2002, established
12 the Hawaii long term care financing program as a way to provide
13 a universal and affordable system of providing long term care.
14 Known as the care plus program, it was supported by the
15 legislature and the executive office on aging and backed by
16 extensive actuarial models and calculations. The board of
17 trustees established by Act 245 recommended funding such as a
18 program with a mandatory dedicated income tax. In 2003, the
19 legislature passed S.B. No. 1088, C.D. 1, which would have
20 implemented the design of the long term care insurance program
21 and the requisite tax necessary to fund it. However, the
22 governor vetoed the measure, and the veto was not overridden.



1 The legislature further finds that providing for and
2 funding a system of long term care in the State remains an
3 important issue. According to a 2012 update on long term care
4 by the American Association of Retired Persons, without private
5 insurance or public program coverage, the high cost of long term
6 care is unaffordable for most Americans. For example, the
7 national average private pay cost of a nursing home stay in 2012
8 was about \$88,000 per year. However, in Hawaii, the average
9 annual cost is \$116,800 for a semi private room and \$125,925 for
10 a private room for nursing home care.

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

21 The purpose of this Act is to require the director of the
22 executive office on aging to contract for the performance of an



1 actuarial analysis for a limited, mandatory, public long term
2 care insurance program for the State's working population.

3 SECTION 2. (a) The director of the executive office on
4 aging shall contract for the performance of an actuarial
5 analysis by a licensed actuary who is a member in good standing
6 with the American Academy of Actuaries.

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

12 (1) The amount of the mandatory tax required to implement
13 a mandatory long term care insurance program in the
14 State;

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

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

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



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

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

10 SECTION 3. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$380,000 or so much
12 thereof as may be necessary for fiscal year 2013-2014 for the
13 performance of an actuarial analysis.

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

17 SECTION 4. This Act shall take effect on July 1, 2013.
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INTRODUCED BY:

Erzanne Chun Oakland
Michael *Paulina J* *D*
Randy de Bal *Will Eyo* *Diana Hill*



S.B. NO. 104

Report Title:

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

Description:

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

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