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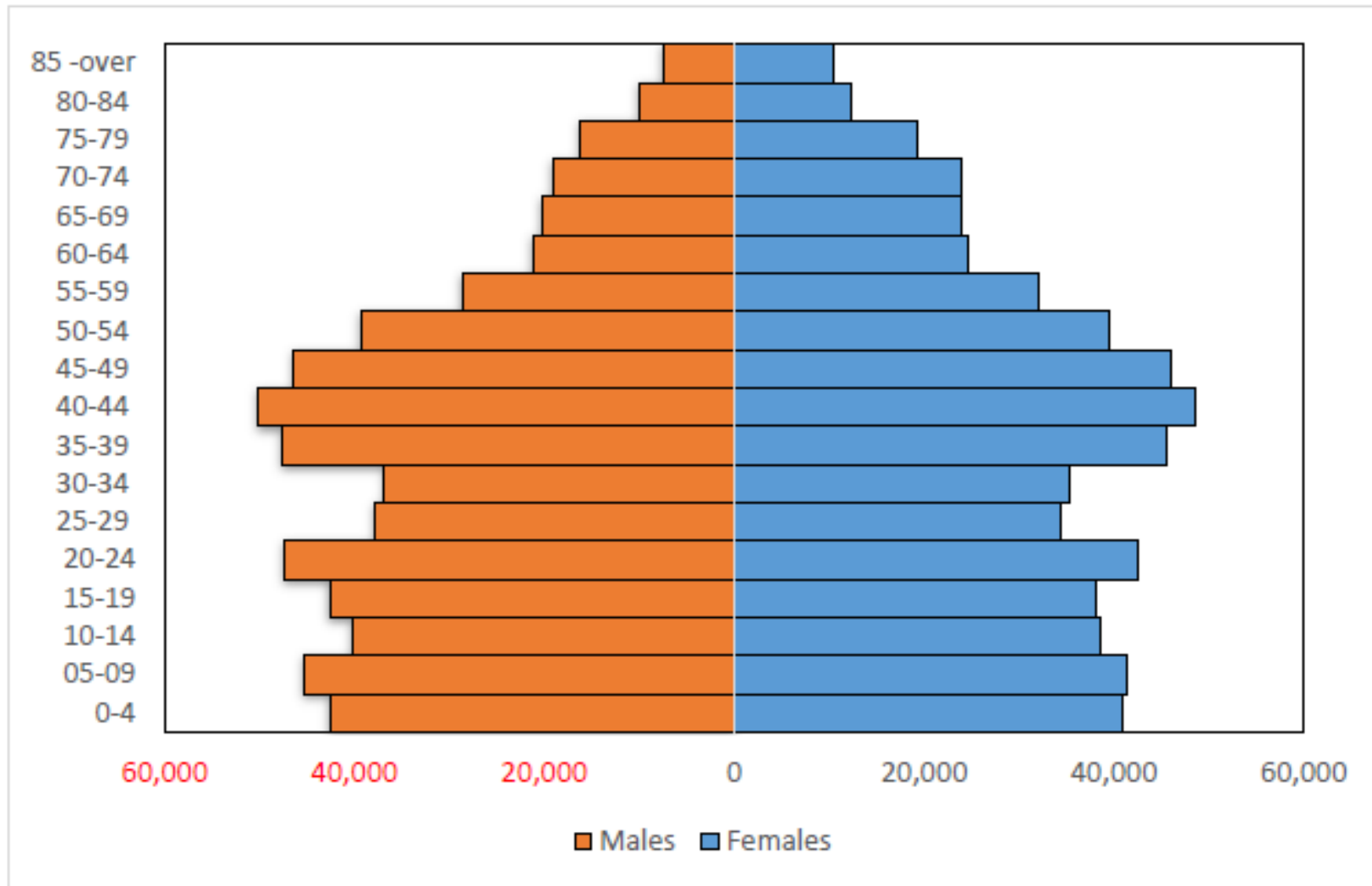
Senator Gil Riviere, Vice Chair

A G E N D A

The purpose of this informational briefing is to present the growing need for long term assistance among Hawaii's elder residents. A financing program to provide Long Term Services and Supports will be proposed in this Legislative Session. The proposed program will provide for up to 365 days of Long Term Services and Supports at an initial reimbursement rate of \$70 per day. The proposed program will be financed by a 1/2% addition to the Hawaii GET. Benefits will accrue to residents who file Hawaii Resident Income tax return. Benefit payments are triggered by meeting a specific level of disability.

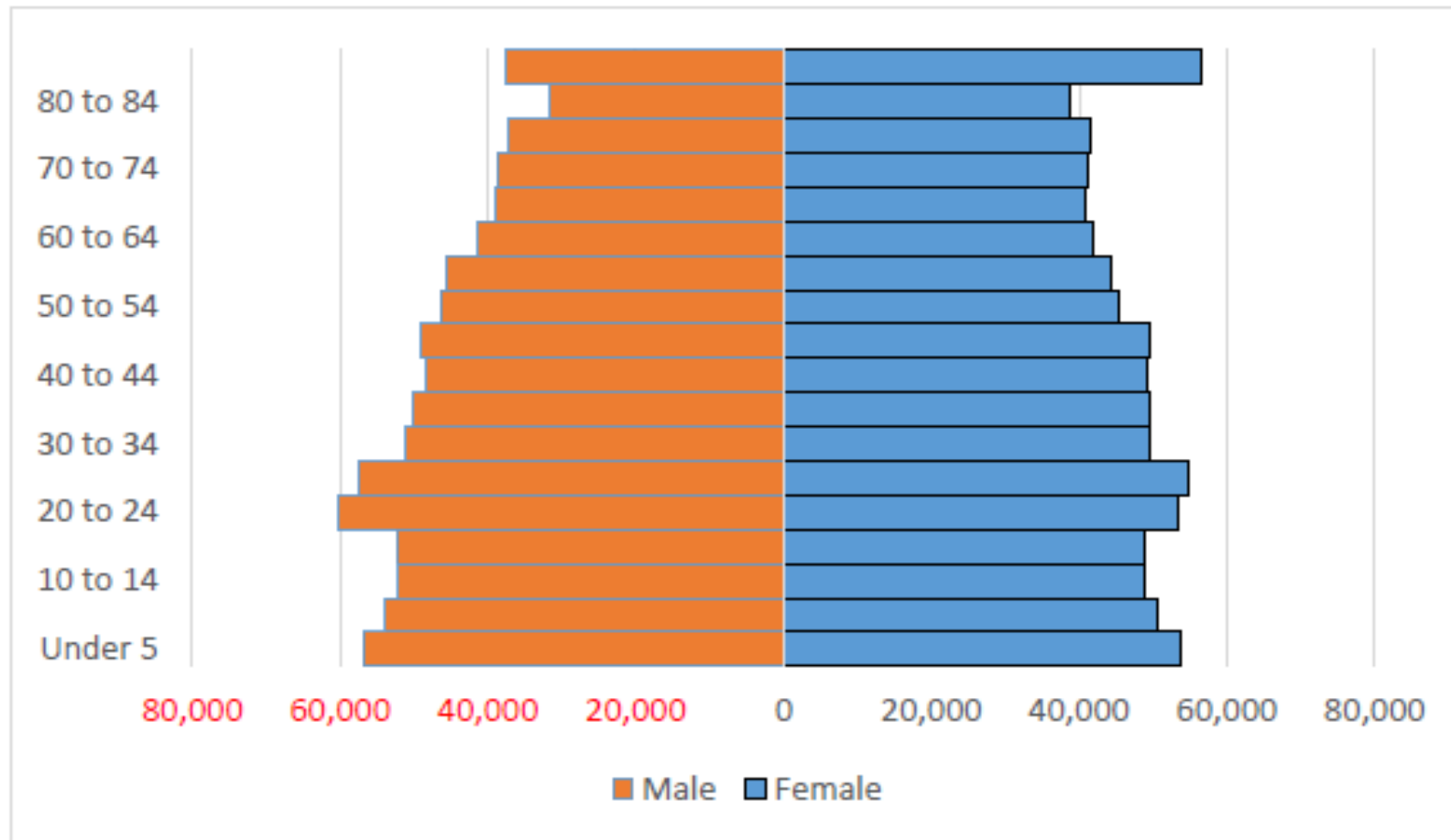
How old are we now?

Figure 1. Age Distribution for the Resident Population of Hawaii, 2000



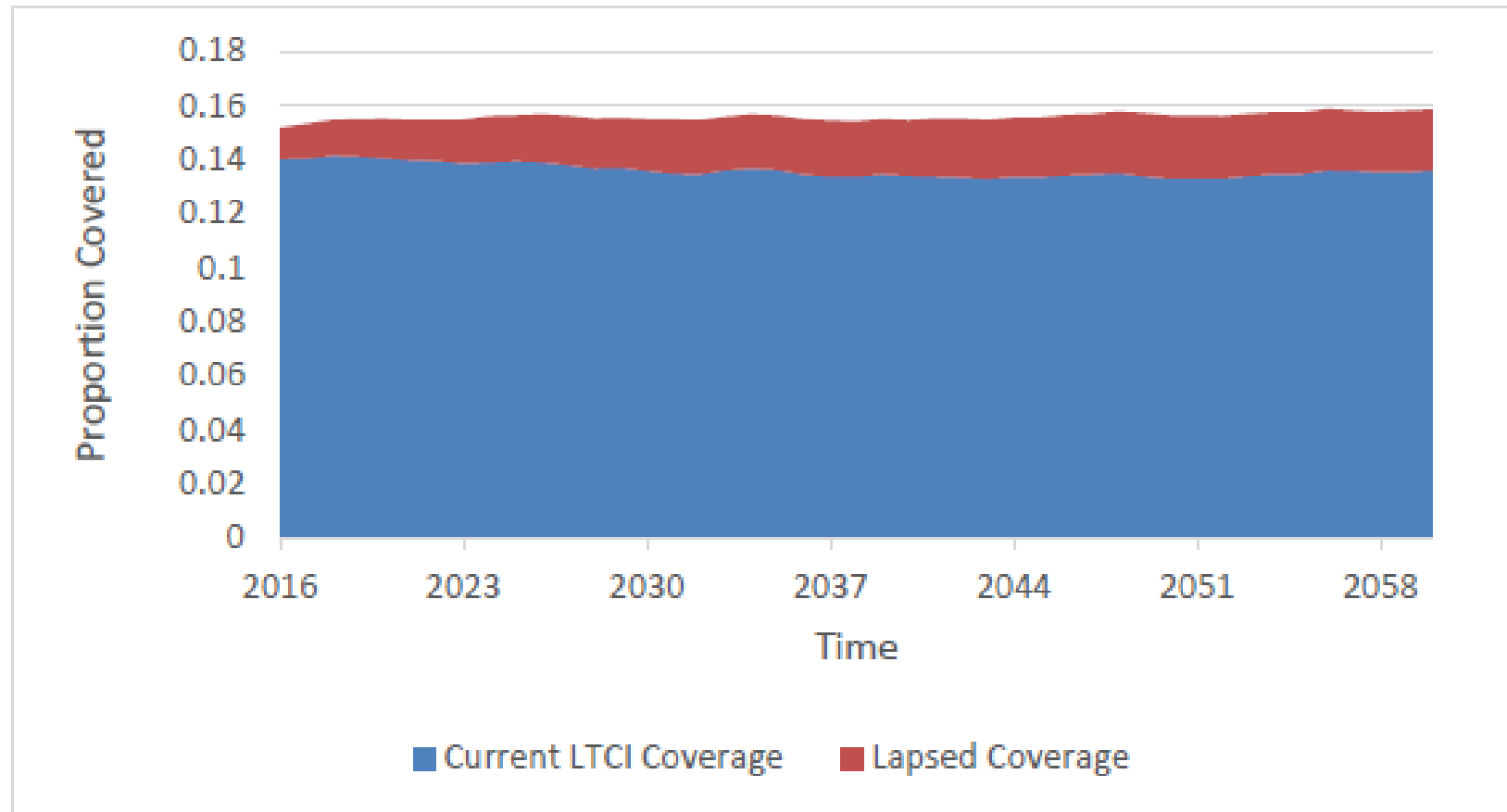
How old will we be?

Figure 2. Age Distribution for the Resident Population of Hawaii, 2040



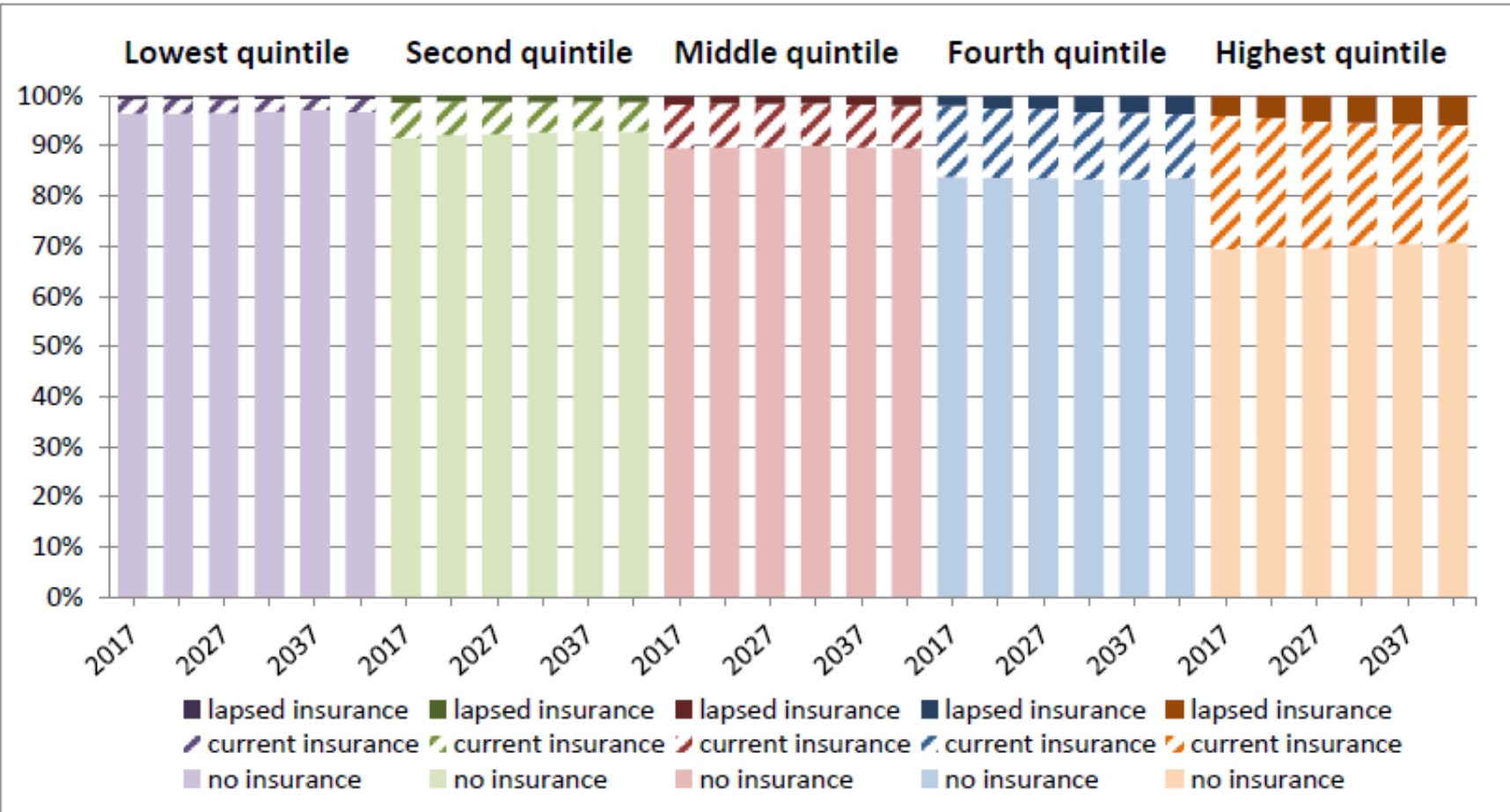
How many folks will have Long Term Care Insurance?

Figure 3. Estimates of LTCI holdings, 2017-2060⁸



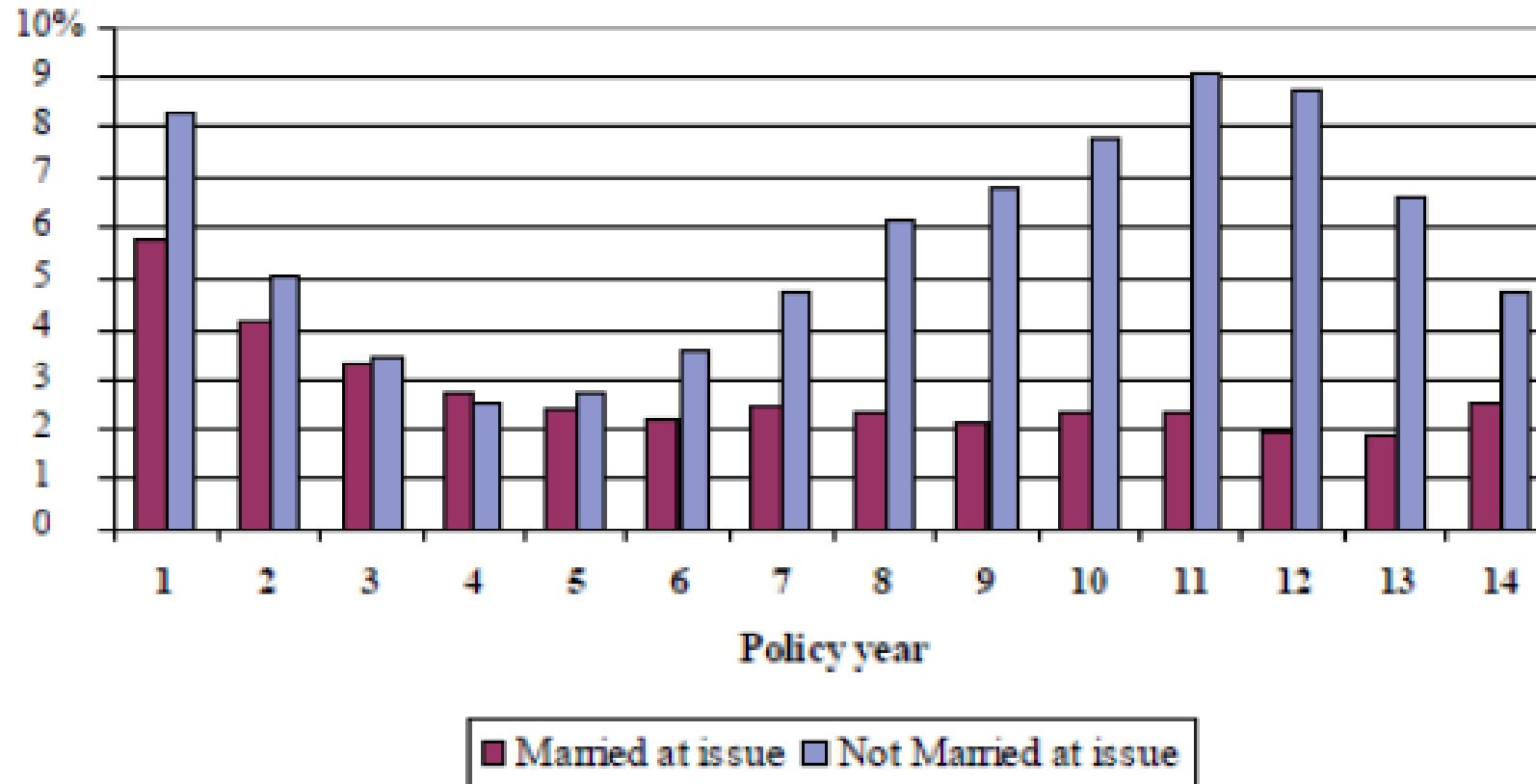
How many of us in Hawaii Have LTCI?

Figure 4. Distribution of LTCI holdings by Hawai'i Income Quintiles.



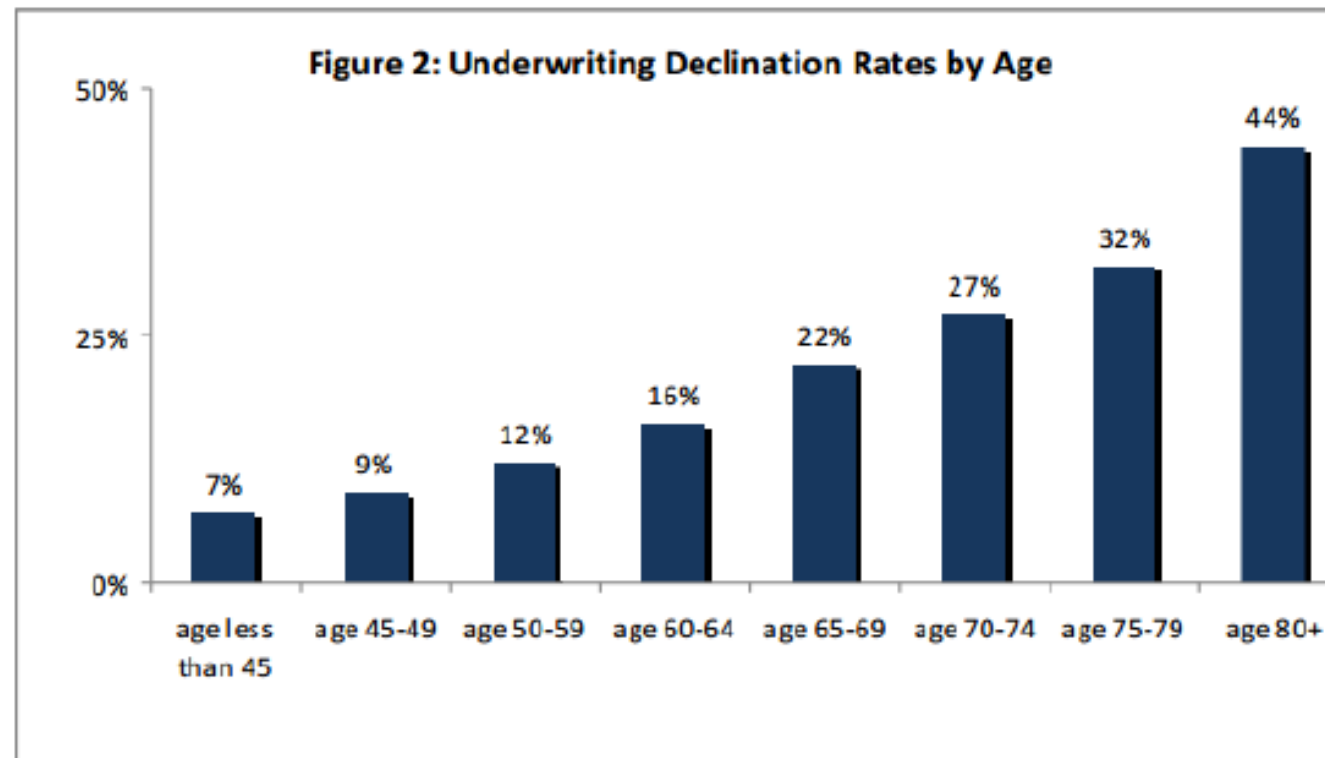
Don't people cover their own needs?

Figure 8. Voluntary Lapse Rates by Marital Status at Issue²⁴



Can't you buy LTCI when you need it?

Figure 9. Percentage of Applicants Declined for LTCI by Age

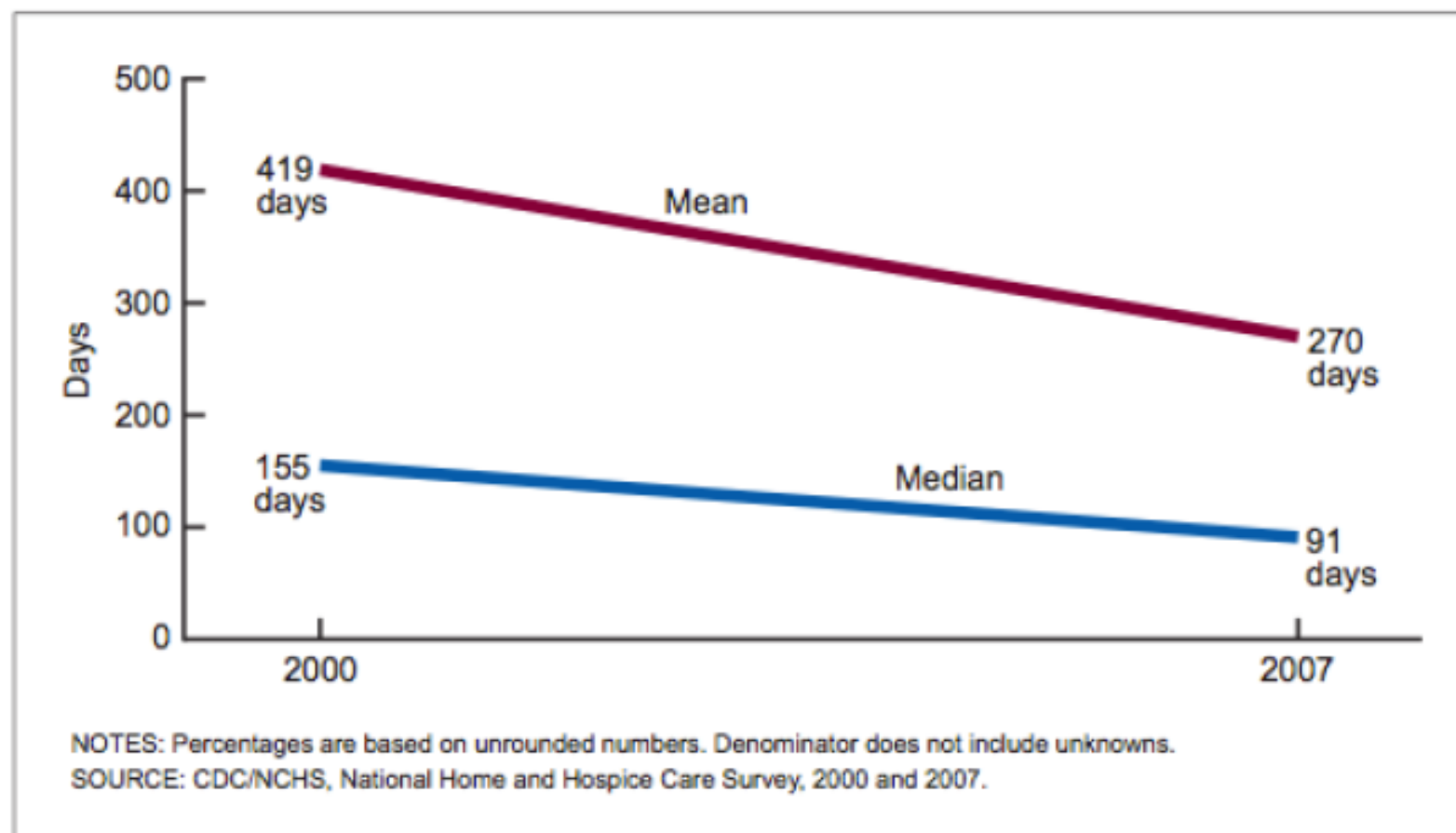


Source: Results of the Long-Term Care Underwriting Survey for the Individual Market in 2009. LifePlans, Inc. Waltham, MA. November, 2010.

Note: Data weighted to represent market share of participating companies.

How long do folks typically need care?

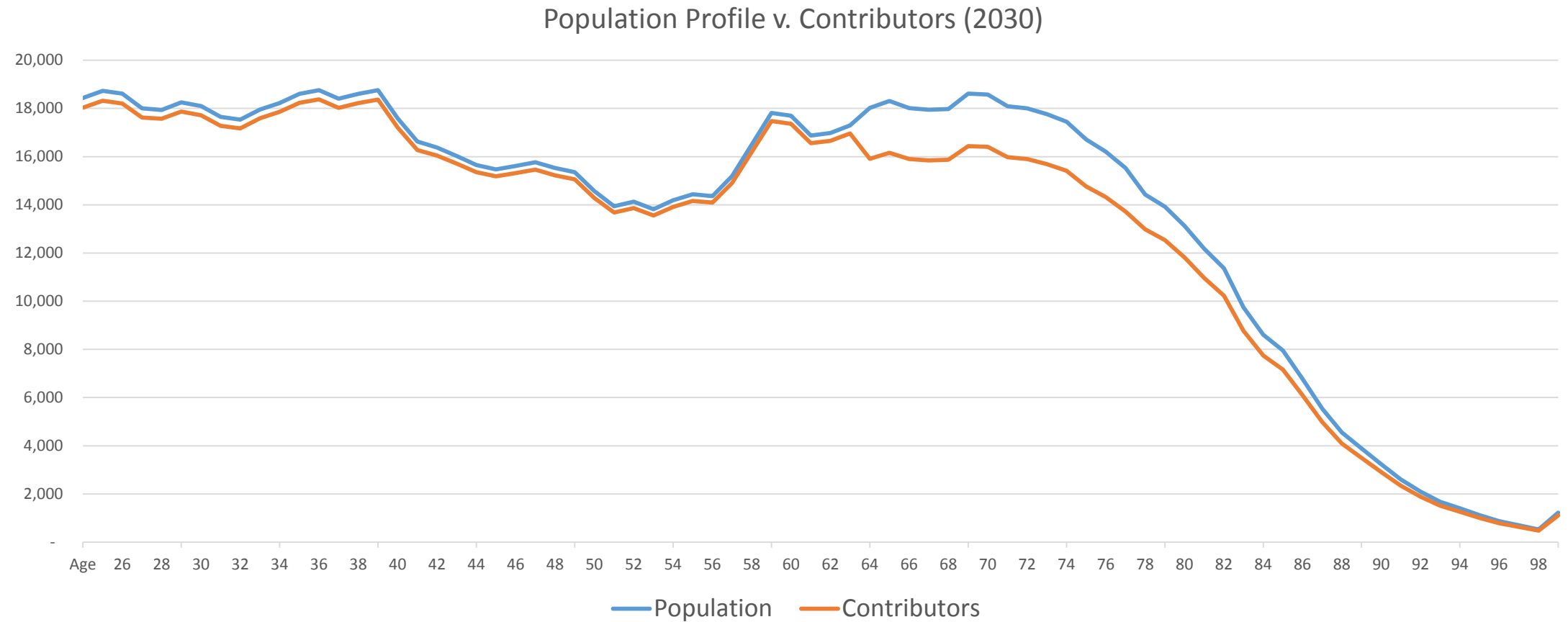
Figure 3. Length service for home health care patients in their own homes aged 85 and over, United States, 2000 and 2007



Program in a Nutshell

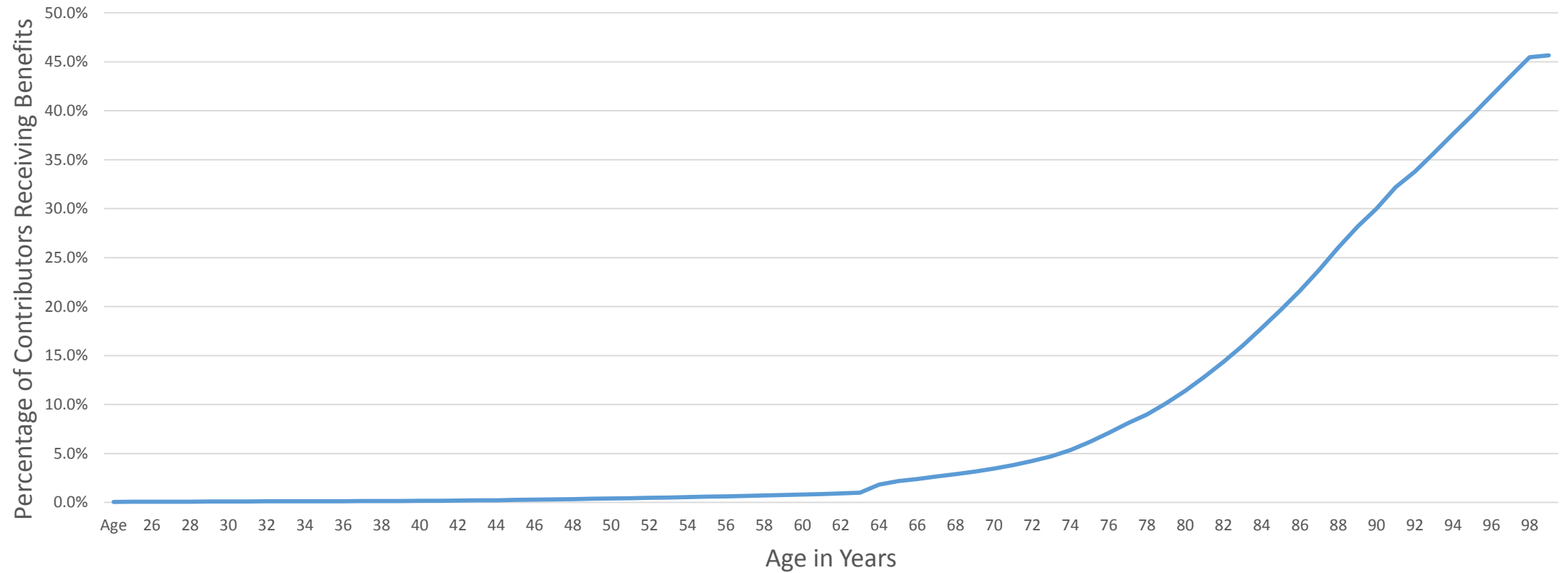
- Eligibility—vested with regular filing of Hawaii Resident Income Tax Returns
 - 1/10 of face value of benefit earned per consecutive year filed
 - After one year grace period, 1/10 of face value lost for
- Benefit of up to 365 days service, stretched out as needed
 - “Trigger” of needing assistance with 2 or more ADLs or cognitive impairment
 - No age restriction
 - Secondary to Medicare, Primary to Medicaid, Private LTCI may be used at any time
- Funded by ½ % addition to the Hawaii GET
 - Funds deposited into dedicated Trust Fund Account
 - Trust Fund managed by Trustees with fiduciary responsibility
 - Requires annual public actuarial report
 - Obligated to show Trust Fund solvency for 75 years
 - Initial benefit of \$70/day may be adjusted by Trustees to deal with inflation

Who will be eligible for benefits?

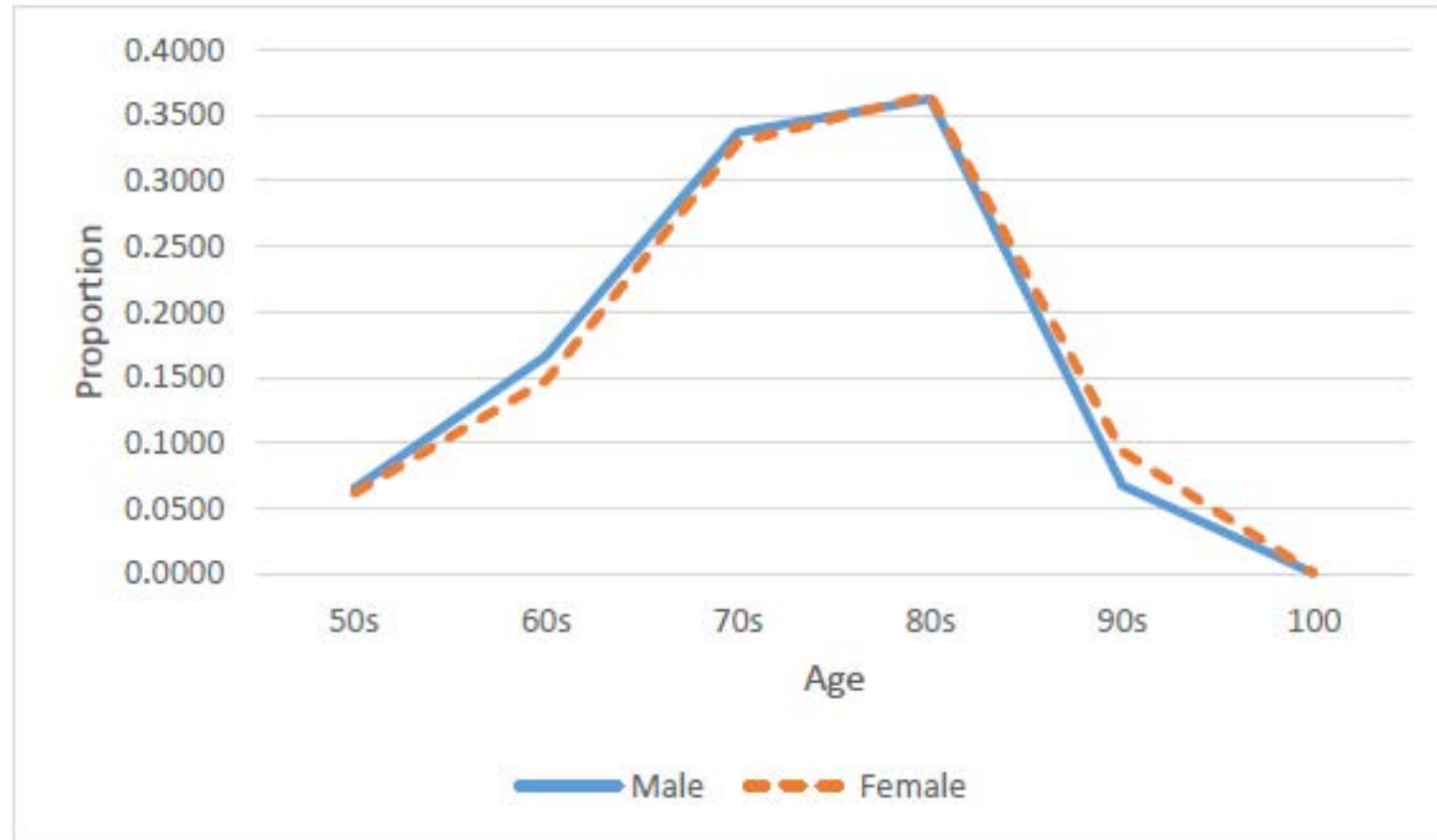


Does the program deal with elder frailty?

Beneficiaries as Percentage of Contributors (2030)



When do people seem to use care?



Source: Original data, HistoricalData table from the Actuarial Research Corporation Hawaii Long Term Care Model Version 9. Additional computations by Lawrence H. Nitz, University of Hawaii, Ivan I. Sanidad, University of Hawaii, and Edward Armentraut, Actuarial Research Corporation, November 2014.

Funding the Program

- Income Tax
 - How wise is it to tax retirement benefits?
 - If current retirees are not making nominal payments, should they receive benefits?
- Payroll Tax
 - If current retirees are not making nominal payments, should they receive benefits?
 - If retirees do not make contributions, difficulty sustaining program
- General Excise Tax (GET) Surcharge
 - ~25% of GET comes from visitors
 - Program is very sustainable
 - Regressive

Sustainability of Program

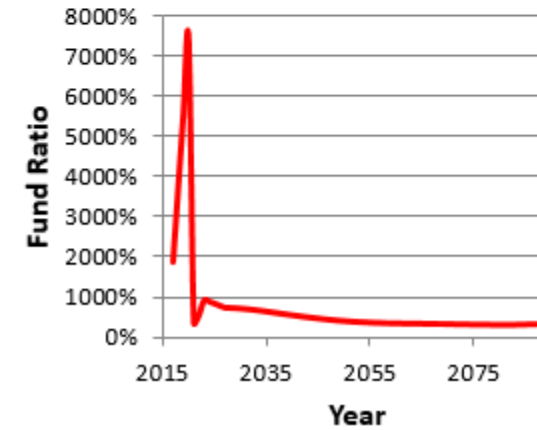
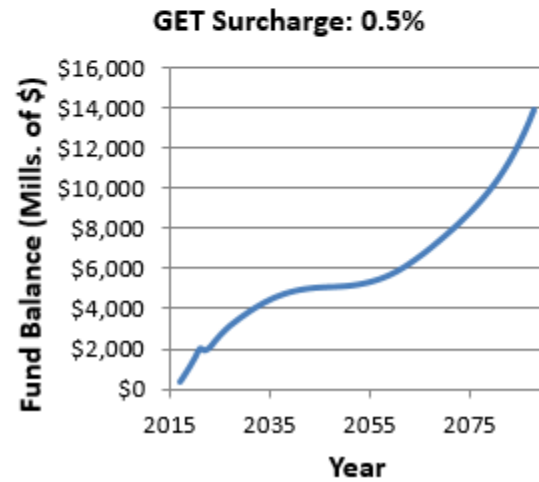
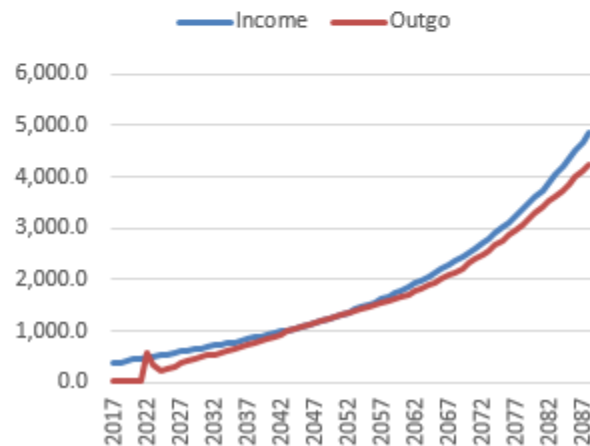
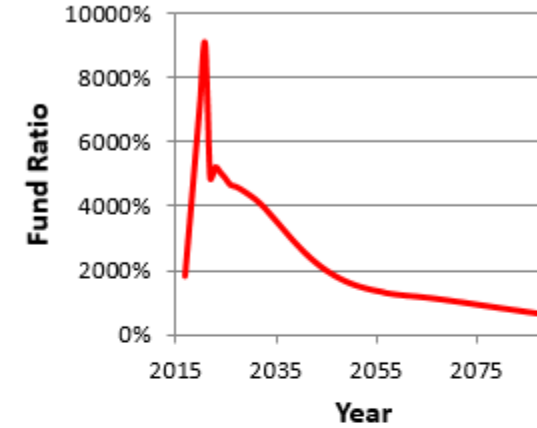
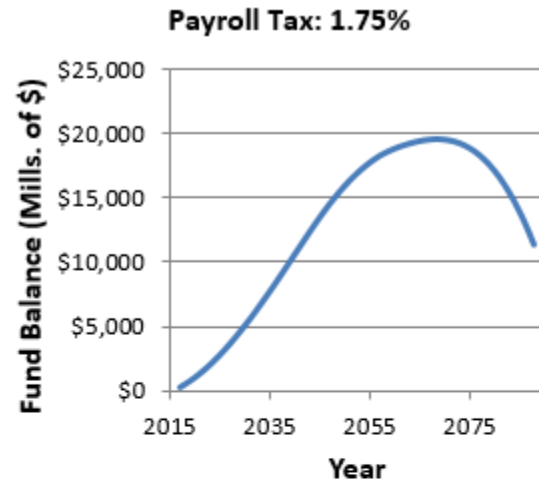
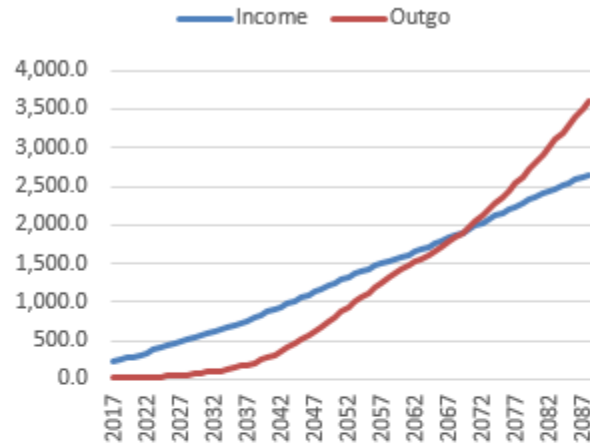


Figure 1: "Solvent" Economic Assumptions

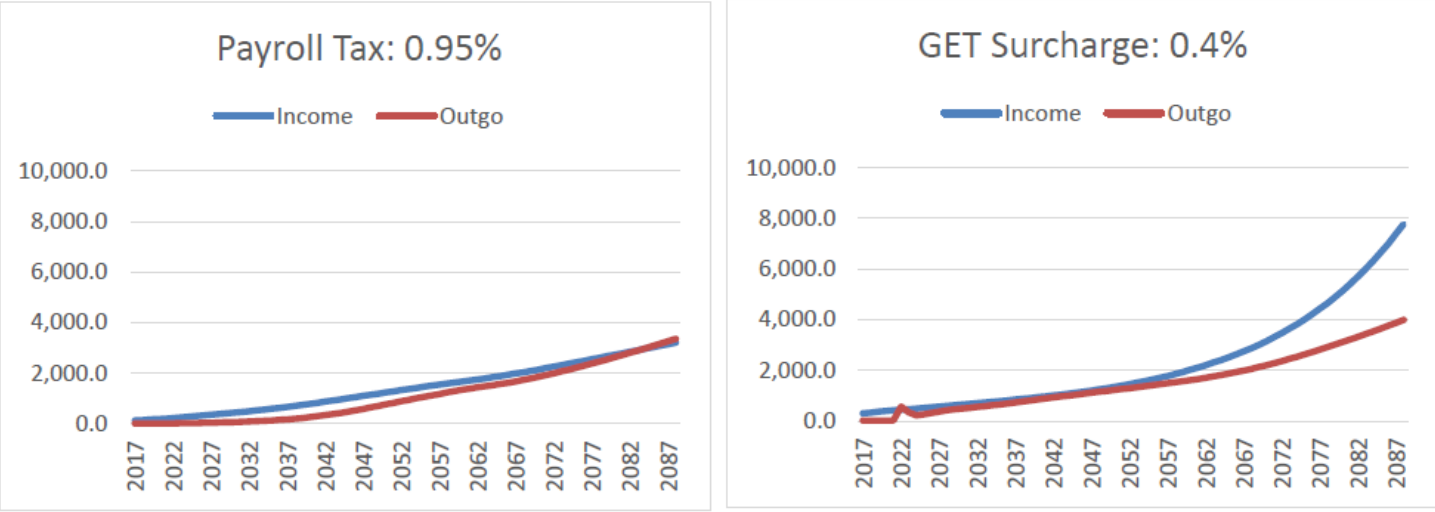
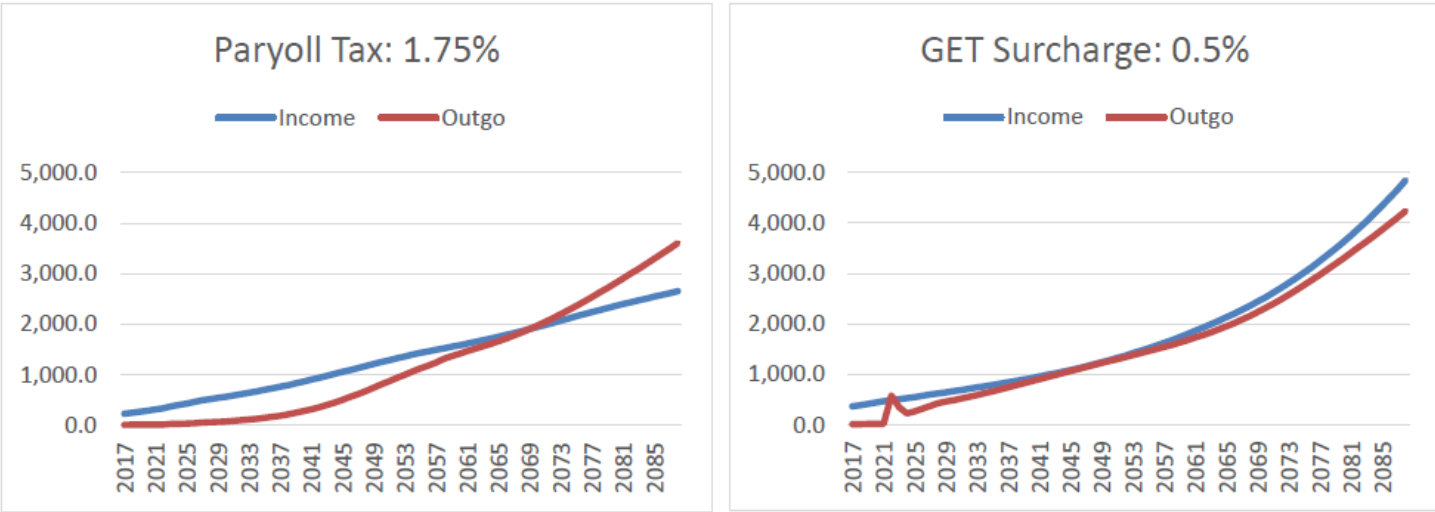


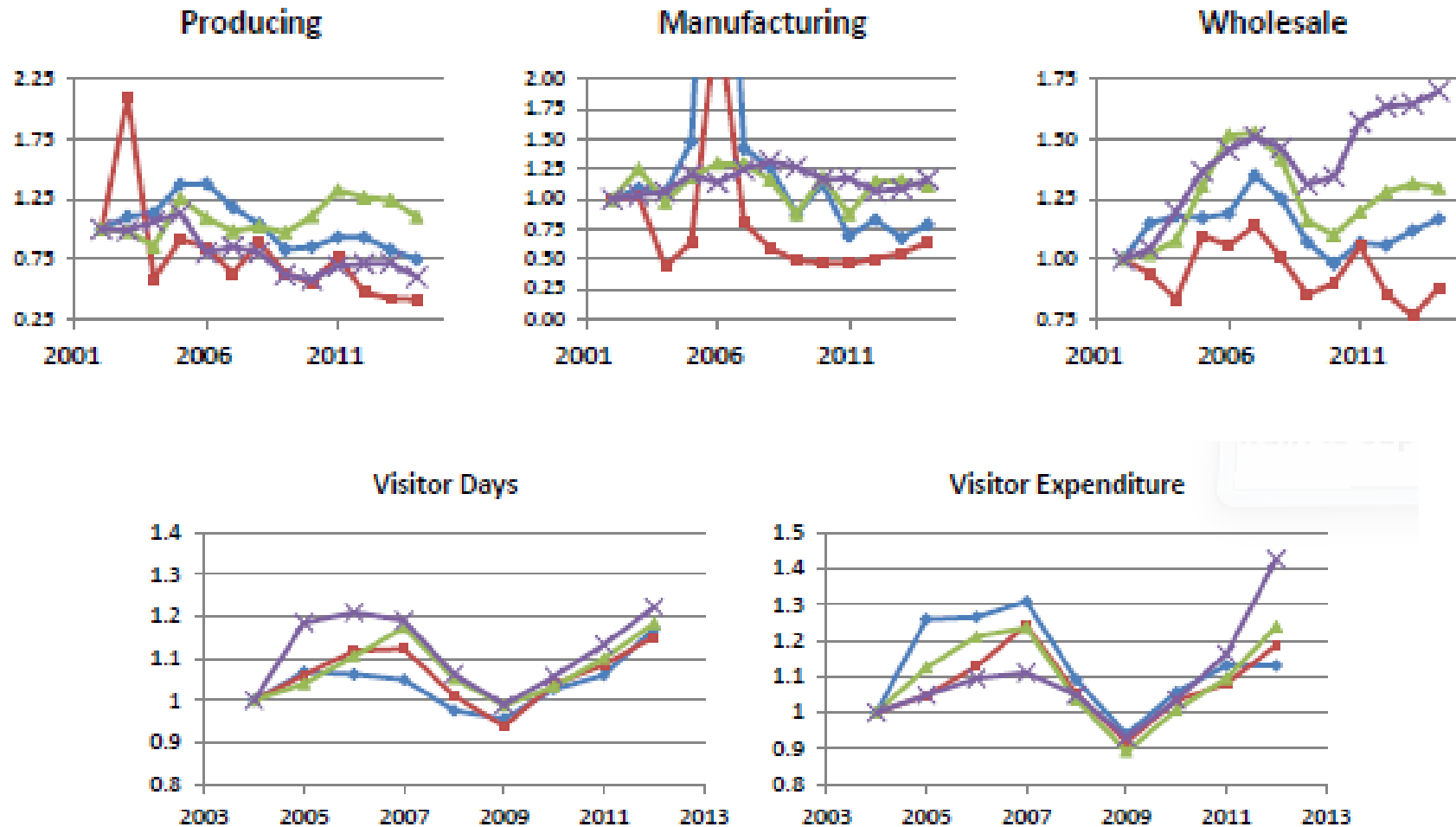
Figure 2: "Pessimistic" Economic Assumptions



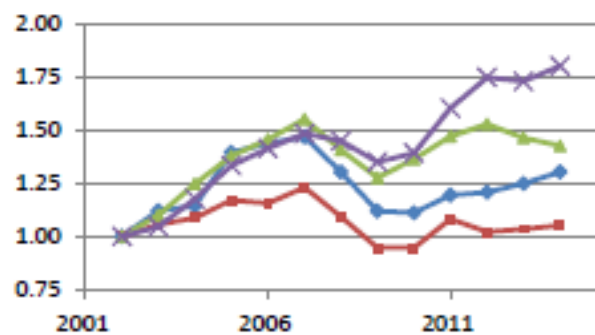
The Impact of a 0.5% GET Surcharge

- Natural experiment: “Rail tax” for C&C of Honolulu
 - Look at historical example of what happened with 0.5% GET surcharge
 - Compare C&C of Honolulu with Neighbor Islands, before/after 2007
- Regional input-output model
 - How do industries interact with each other?
 - Look at economic indicators: GDP, income, jobs lost/created

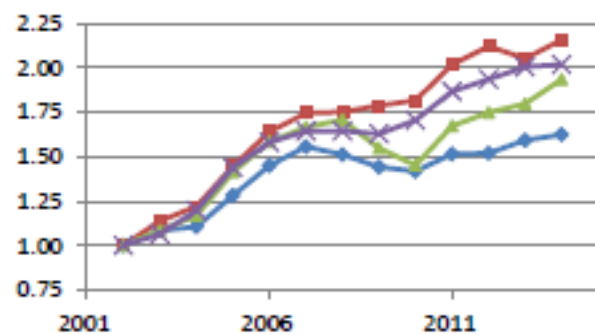
Looking at "Rail Tax"



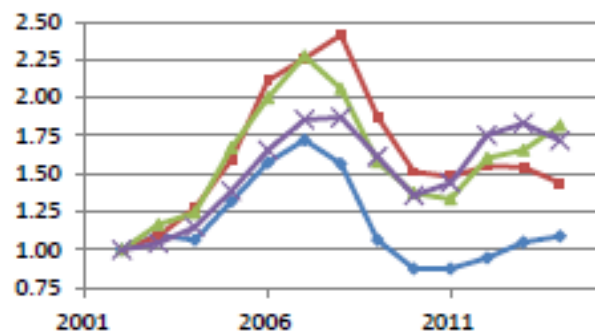
Retailing



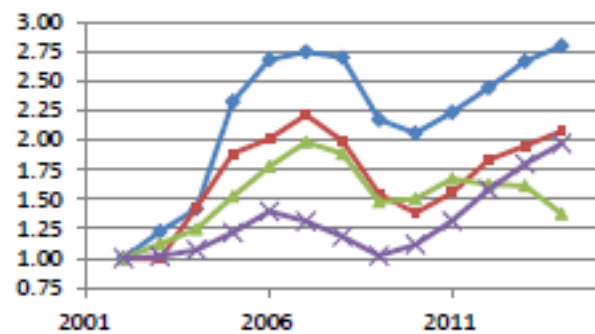
Services



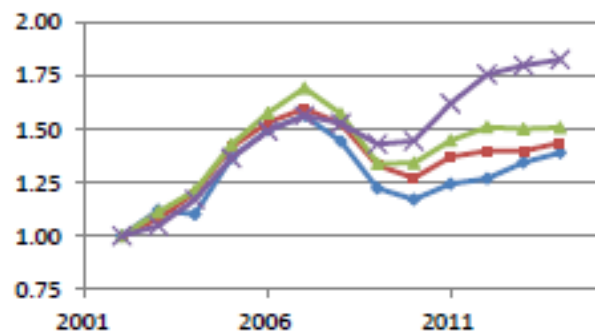
Contracting



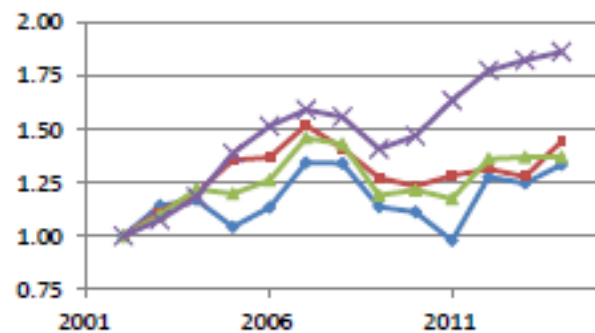
Hotel Rentals

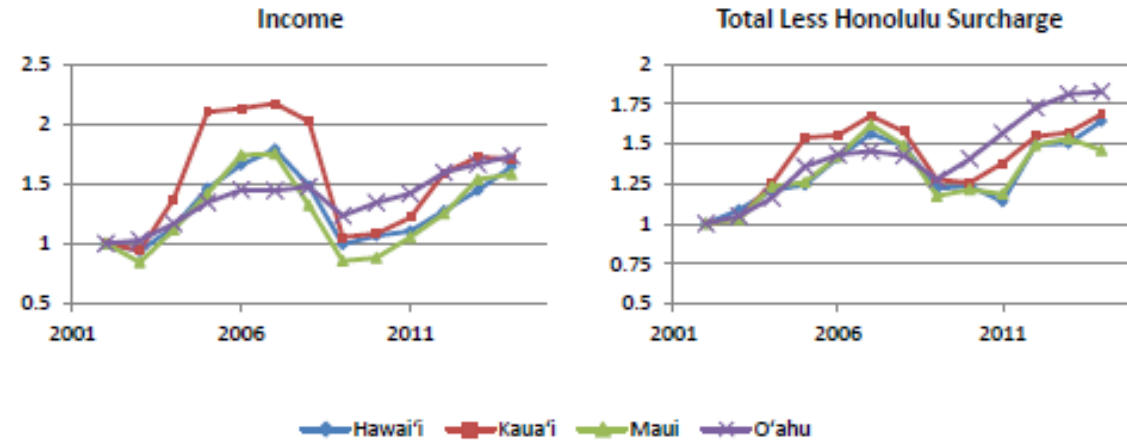


4% GET Total



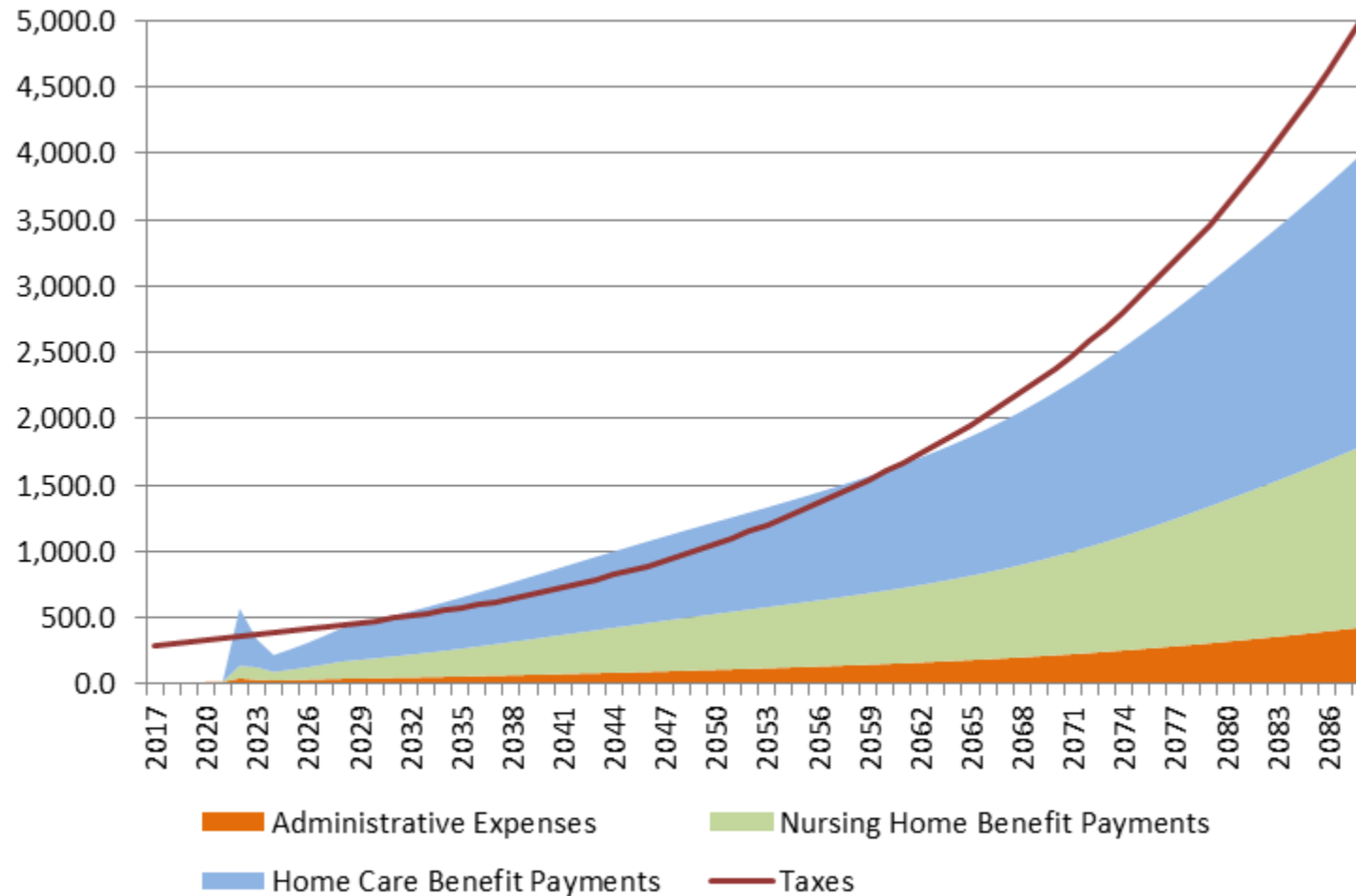
All GET Total





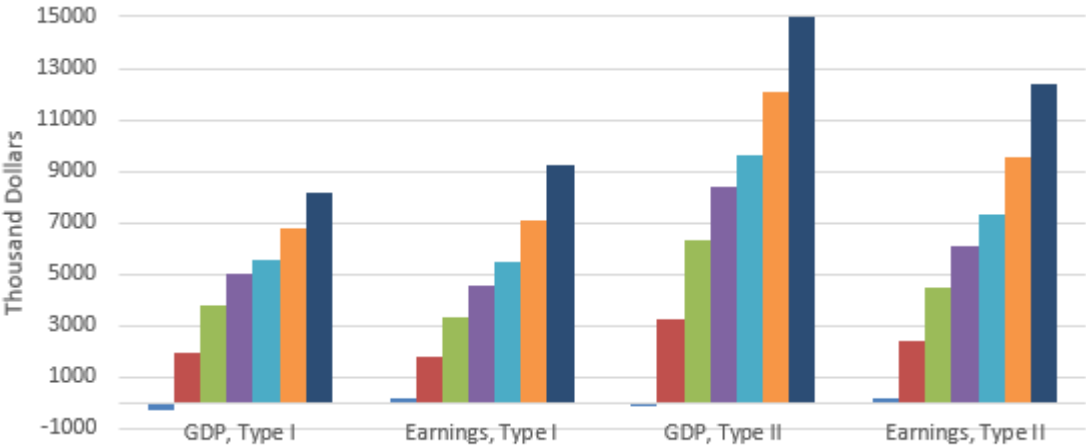
- Doesn't look like there's a significant, negative effect of a 0.5% increase to the GET

Input-Output Analysis: Tax and Benefits Forecast



Net Benefits & Context

Net GDP and Earnings per 10-Year Period



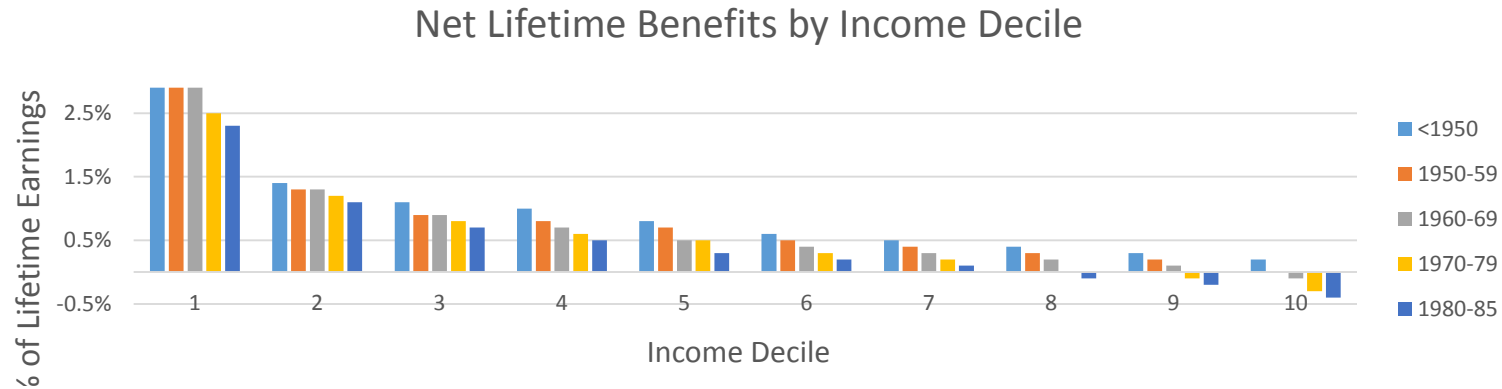
Net Jobs Created per 10-Year Period



- GDP was \$77,389 million in 2014,
- total personal disposable income was \$65,861 million 2014,
- There were 648,850 jobs in 2013

GET Surcharge and Regressivity

- Net effect: consider surcharge and benefits



- The fund is large enough to afford some tax credits to lower income households

FULL REIMBURSEMENT						
Bracket (value used for "average" calculations in parentheses)	Less than 10k (5k)	10-15k (12.5k)	15-25k (20k)	25-35k (30k)	35-50k (45k)	50-75k (65k)
Share of base	0.001821806	0.002732118	0.009180556	0.014295833	0.033155625	0.074937778
Bracket	Less than 10k	Less than 15k	Less than 25k	Less than 35k	Less than 50k	Less than 75k
Cumulative	0.001821806	0.004553924	0.013734479	0.028030313	0.061185938	0.136123715

TAX CREDIT							
Bracket (value used for "average" calculations in parentheses)	< 5k (2.5k)	5-10k (7.5k)	10-15k (12.5k)	15-20k (17.5k)	20-30k (25k)	30-40k (35k)	40-50k (45k)
Credit per adult; \$85 per child	85	75	65	55	45	35	25
Share of base	0.0011614	0.0010703	0.001174811	0.001566432	0.00164488	0.001779809	0.001740656
Bracket	< 5k	<10k	<15k	<20k	<30k	<40k	<50k
Cumulative	0.0011614	0.0022317	0.003406523	0.004972955	0.00661783	0.008397642	0.010138299
Proportional credit for 0.5% surcharge	10.63	9.38	8.13	6.88	5.63	4.38	3.13

Sources

- All figures reproduced here are found in the LTSS Feasibility Report and the Policy Notes at http://www.hawaiiadrc.org/site/439/reports_publications.aspx.
- Pricing computations, Actuarial Research Corporation, Hawaii LTCI Model, Versions 9-11, 2014-2016.
 - Guide to model tables: http://www.hawaiiadrc.org/Portals/_AgencySite/LTSS/Workbook_t.pdf
- Downstream Effects: The Urban Institute Dynasim Model, Hawaii Application 2014-2016.
 - Introduction and overview: http://www.hawaiiadrc.org/Portals/_AgencySite/LTSS/Note2.pdf.

Thank you for your attention

- Lawrence H. Nitz, Ph.D.
- Wayne Liou, Ph.D.
- Marilyn Seely, MPH

Why not join the “partnership” states?

