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



1           The purpose of this Act is to require the director of the  
2 executive office on aging to contract simultaneously for the  
3 performance of two analyses:

4           (1) A policy analysis to craft details of the social  
5 insurance proposal, including the policy options which  
6 were identified in the long-term care commission's  
7 report and the potential costs of the policy options;  
8 and

9           (2) An actuarial analysis for a limited, mandatory, public  
10 long term care insurance program for the State's  
11 working population.

12           SECTION 2. (a) The director of the executive office on  
13 aging shall contract for the performance of a policy analysis.

14           (b) The policy analysis shall include:

15           (1) An analysis of the policy options identified in the  
16 long-term care commission's recommendations to the  
17 legislature on January 19, 2012;

18           (2) The potential costs of the policy options identified  
19 in the long-term care commission's recommendations to  
20 the legislature on January 19, 2012;

21           (3) A recommendation on the parameters of the mandatory  
22 public long term care insurance program, such as the



1 nature of financing, rate of premium, eligibility  
2 requirements for receiving benefits, length of time to  
3 be vested, value of benefits offered, administrative  
4 arrangements for managing the insurance funds,  
5 mechanisms of assessing eligibility, and acceptable  
6 providers of needed services; and

7 (4) An analysis of possible alternatives that were not  
8 policy options identified in the long-term care  
9 commission's recommendations to the legislature on  
10 January 19, 2012, including tax incentives for the  
11 purchase of long term care insurance and the  
12 medicaid/long term care public private partnership  
13 plan that has been adopted in other states.

14 (c) The purpose of the analysis is to determine which  
15 policy option would be most politically viable, have the  
16 strongest support of the community, and provide meaningful  
17 financial help to those most in need.

18 (d) The policy analysis shall be completed and submitted  
19 to the director of the executive office on aging by June 30,  
20 2014. The director of the executive office on aging shall  
21 submit a report, including the director's findings and  
22 recommendations based on the analysis, to the legislature no



1 later than twenty days prior to the convening of the regular  
2 session of 2015.

3 SECTION 3. (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) A projection of the contribution rates necessary to  
13 keep the trust fund dedicated to providing long term  
14 care benefits actuarially sound over the short-range  
15 and long-range future periods;

16 (2) The method of collecting premiums;

17 (3) An estimate of the expected future income to and  
18 disbursements to be made from the trust fund in future  
19 years;

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



- 1 (5) An estimate on how long the contributions would need
- 2 to be collected before benefits could be paid out;
- 3 (6) An estimate of the likely impact on medicaid roles, if
- 4 any;
- 5 (7) A statement on the minimum and maximum age for
- 6 employed persons to be eligible to enroll;
- 7 (8) A definition of "employment" for purposes of
- 8 determining eligibility of benefits;
- 9 (9) A statement on the minimum period of premium payments
- 10 before eligibility of benefits;
- 11 (10) A statement on the length of covered benefit;
- 12 (11) A statement on the amount of cash benefit, and whether
- 13 it varies by disability level, and whether it has an
- 14 inflation adjustment over time;
- 15 (12) A statement on whether individuals need to pay in for
- 16 life, until retirement, or until they have paid in for
- 17 a specified number of years;
- 18 (13) A statement on whether premiums should be level or
- 19 increase with inflation over time;
- 20 (14) A statement whether low income individuals should be
- 21 exempted from participation;



1 (15) A statement on how the program should be administered;  
2 and

3 (16) A statement of actuarial assumptions and methods used  
4 to determine costs and a detailed explanation of any  
5 change in actuarial assumptions or methods.

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

13 SECTION 4. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$380,000 or so much  
15 thereof as may be necessary for fiscal year 2013-2014 for the  
16 performance of a policy analysis.

17 The sum appropriated shall be expended by the executive  
18 office on aging of the department of health for the purposes of  
19 this Act.

20 SECTION 5. There is appropriated out of the general  
21 revenues of the State of Hawaii the sum of \$380,000 or so much



1 thereof as may be necessary for fiscal year 2013-2014 for the  
2 performance of an actuarial analysis.

3       The sum appropriated shall be expended by the executive  
4 office on aging of the department of health for the purposes of  
5 this Act.

6       SECTION 6. This Act shall take effect on July 1, 2013.



**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 a policy analysis and an actuarial analysis for a limited, mandatory, public long term care insurance program for the State's working population. Requires reports to the legislature. Appropriates funds for the analyses. Effective July 1, 2013. (HB1 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

