
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 Act 245, Session Laws of Hawaii 2002, established the
12 Hawaii long term care financing program as a way to provide a
13 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 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.

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



1 feasibility study and an actuarial analysis for a limited,
2 mandatory, public long term care financing program for the
3 State's working population.

4 SECTION 2. (a) The director of the executive office on
5 aging shall contract for a feasibility study to design a
6 limited, mandatory, public long term care financing program for
7 the State.

8 (b) The feasibility study shall include an analysis of the
9 following:

- 10 (1) A projection of the contribution rates necessary to
11 keep the trust fund dedicated to providing long term
12 care benefits actuarially sound over the short-range
13 and long-range future periods;
- 14 (2) The method for collecting premiums;
- 15 (3) An estimate of the expected future income to and
16 disbursements to be made from the trust fund in future
17 years;
- 18 (4) 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 (5) An estimate of how long the contributions would need
22 to be collected before benefits could be paid out;



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



1 (17) A statement of actuarial assumptions and methods used
2 to determine costs and a detailed explanation of any
3 change in actuarial assumptions or methods;

4 (18) A statement on tax incentives for the purchase of long
5 term care insurance;

6 (19) A statement on the return of investment to
7 specifically address where the resources will reside,
8 such as in a special fund or separate account for long
9 term care resources, and the investment strategy for
10 these resources; and

11 (20) A statement on the medicaid or long term care public-
12 private partnership plan that has been adopted in
13 other states.

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

18 (b) The actuarial analysis shall contain a statement by
19 the actuary certifying that the techniques and methods used are
20 generally accepted within the actuarial profession and that the
21 assumptions and cost estimates used are reasonable.



1 (c) The actuarial analysis shall provide a financial
2 analysis of the limited, mandatory, public long term care
3 financing program. The analysis shall include:

4 (1) In conjunction with the feasibility study, cost
5 projections of the items listed in section 2(b) of
6 this Act; and

7 (2) The amount of the mandatory tax required to implement
8 a limited, mandatory, public long term care financing
9 program in the State.

10 SECTION 4. The feasibility study and actuarial analysis
11 shall be completed and submitted to the director of the
12 executive office on aging by June 30, 2014. The director of the
13 executive office on aging shall submit a report, including the
14 director's findings and recommendations based on the feasibility
15 study and actuarial analysis, to the legislature no later than
16 twenty days prior to the convening of the regular session of
17 2015.

18 SECTION 5. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$ or so
20 much thereof as may be necessary for fiscal year 2013-2014 for
21 the performance of a feasibility study and an actuarial analysis
22 pursuant to this Act.



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

4 SECTION 6. This Act shall take effect on July 1, 2030.



Report Title:

Feasibility Study; Actuarial Analysis; Long Term Care; Executive Office on Aging; Appropriation

Description:

Requires the Director of the Executive Office on Aging to contract for the performance of a feasibility study and an actuarial analysis for a limited, mandatory, public long term care insurance program for the State's working population. Appropriates funds. Effective 7/1/2030. (SD2)

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