

NEIL ABERCROMBIE
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Committee on Health

Committee on Human Services

HB2, RELATING TO LONG TERM CARE

**Testimony of Wes Lum
Director, Executive Office on Aging
Attached Agency to Department of Health**

Tuesday, February 5, 2013; Conference Room 329

11:00 a.m.

1 **EOA's Position:** The Executive Office on Aging (EOA) supports the intent of this measure
2 provided that its enactment does not reduce or replace priorities within our Biennium Budget
3 Request.

4 **Fiscal Implications:** An unspecified amount would be appropriated to EOA to conduct an
5 education and awareness campaign on long-term care and an evaluation of the campaign.

6 **Purpose and Justification:** This proposal is based on a recommendation of the Hawaii Long-
7 term Care Commission. EOA is happy to conduct a long-term care education and awareness
8 campaign, provided that resources are appropriated for this purpose.

9 We are currently developing a strategy for a public awareness campaign on long-term care.
10 When completed, we will have a better sense of the cost. We will share our findings once the
11 details of the campaign and the cost are determined. Thank you for the opportunity to testify.



To: Committee on Health
Representative Della Au Belatti, Chair

Committee on Human Services
Representative Mele Carroll, Chair

Date: February 5, 2013, Conference Room 329, 11:00 a.m.

Re: **HB 2 – RELATING TO LONG TERM CARE**

Chair Belatti, Chair Carroll and Committee Members:

My name is Steve Tam, Director of Advocacy for AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. AARP fights on issues that matter to Hawaii families, including the high cost of long-term care; access to affordable, quality health care for all generations; providing the tools needed to save for retirement; and serving as a reliable information source on issues critical to Americans age 50+.

AARP **strongly supports HB 2** which requests that the Executive Office on Aging conduct an education and awareness campaign on long-term care, and appropriates funds.

Need for a Public Education and Awareness Campaign

Many residents are unaware or underestimate the risk of needing long-term care in their lifetime. Just as most people do not plan for a tsunami and only take action when the wave is imminent; individual planning for the “Silver Tsunami” due to aging boomers needing long-term care typically occurs only when immediately needed. Very few Hawaii residents have planned for their long-term care despite all warning sirens ranging from: the high likelihood of needing long-term care; high cost of care; personal experiences as caregivers; and limited government assistance to pay or obtain services.

The 2012 Hawaii Long-Term Care Commission Report concludes that unless residents have basic information about the risks and costs of long-term care, it is unlikely that people will devote the time to develop a plan for their long-term care, or to protect themselves by purchasing long-term care insurance. To motivate people to plan for their long-term care, the Hawaii Long-Term Care Commission recommended the State of Hawaii conduct a long-term care education and awareness campaign.

High Risk of Needing Long-Term Care

Hawaii’s population is aging rapidly. There are approximately 206,000 people over 65 years old in Hawaii in 2012, and will increase by 61% to 331,000 in 2032.¹ Approximately 69% of people who turned 65 in 2005 will need long-term care before they die. Individuals needing long-term care will on average need help for 3 years, and spend on average 2 years at home, and 1 year in a nursing or assisted living facility.²

High Cost of Long-Term Care

Those Hawaii residents needing long-term care are faced with long-term care costs that are among the highest in the nation and unaffordable for most Hawaii residents. For example, the annual cost of a nursing home is more than double (2.49 times) the median age 65+household income.³

Hawaii residents have various long-term care options though all are expensive:⁴

- \$125,925 - Nursing Home
- \$57,772 – Home Health Aid
- \$50,336 - Homemaker Service
- \$45,000 – Assisted Living Facility
- \$17,420 – Adult Day Health Care

Public Not Planning for Long-Term Care

Though the majority of Hawaii residents (59%) say they are likely to need long-term care in the future and are not confident that they can afford one-year of long-term care,⁵ few Hawaii residents are planning ahead to meet these needs. Only 12% of those over 40 years old own a long-term care insurance policy.⁶

The most frequently cited reason for not purchasing a long-term care insurance policy is the cost, and that individuals are preoccupied with meeting their daily living expenses.⁵

Our members have also mentioned the emotional barriers to planning for long-term care. Individual's experience or exposure to long-term care are often negative. They associate this care with cognitive or physical decline. The planning for long-term care forces individuals to face their own mortality. The loss of independence was cited by 74% of respondents in the recent 2012 AARP Survey on Long-Term Care, as they said that they did not want to depend on family or friends for their long-term care needs.

Financing Options for Long-Term Care Are Limited

Currently Federal, State and private programs pay only a part of the cost for long-term care. Medicare is not designed to cover long-term care services (other than limited coverage in skilled nursing facilities). Medicaid pays for long-term care, but only those with limited assets and income. Private long-term care insurance does provide substantial coverage for long-term care, but enrollment is limited.

The State's primary long-term care program, Kupuna Care, served approximately 6,981 people⁷ (unduplicated persons served as reported by EOA) in 2012, which is only a small portion of the senior population that could be potentially served.

Due to limited government assistance and the high cost long-term care, the majority of Hawaii residents depend on unpaid family caregivers, in spite of not wanting to rely on friends and family. In the recent 2012 AARP Hawaii Survey on Long-Term Care, 49% of those surveyed expected friends or family to help with long-term care needs.⁵ In Hawaii, there are approximately 247,000 unpaid family caregivers that provide care valued at approximately \$2 Billion annually.⁸ Unfortunately, the number of family caregivers is declining. The primary family caregiver group is 50 to 64 years old. This group accounted for 19.1% of the population in 2012, but will account for only 16.1% of the population by 2032¹ and further cause strain on seniors and remaining caregivers.

Though individuals do not pay family caregivers, these caregivers incur personal costs to care for family or friends. One national study (Evercare and NAC – Family Caregivers, 2007) ⁹ reported that one in three (34%) caregivers surveyed said they used their savings, and nearly one in four (23%) cut back on spending for their own preventative health or dental care. To manage the out-of-pocket caregiving expenses, nearly four in 10 (38%) said they reduced or stopped saving for their own future. Furthermore, lost income and benefits sustained by family members that left their jobs to provide care for a family member were approximately \$303,000 (national averages), based on a loss of \$115,900 in wages, \$137,980 in Social Security benefits, and \$50,000 in pension benefits.¹⁰

In summary, the likelihood of an individual needing expensive long-term care is high. However, Hawaii residents have not planned for their long-term care needs. AARP likens the long-term care threat facing the people of Hawaii to a tsunami warning that has not been heeded. Therefore, the state's role in making clear the threat to individuals and families is critical. We call on the Legislature to ensure that the threat to our public health system be acknowledged through an education and public awareness campaign.

We urge you to support HB 2, so that Hawaii residents and the community will start planning for long-term care before they need it. Thank you for the opportunity to testify.

¹ AARP Across the States, 2012, Profiles of Long-Term Services and Supports

² Kemper, Komisar, Alecxih, Long-Term Care an Uncertain Future: What Can Current Retirees Expect, 2005. Inquiry 42(4): 335-350.

³ AARP A New Way of Looking at Private Pay Affordability of Long-Term Services and Supports, 2012

⁴ Genworth Cost of Care Survey, 2012

⁵ AARP Hawaii Survey of Hawaii 50+ Residents on Long-Term Care, 2012.

⁶ AARP 2011 State Long-Term Services and Supports Scorecard

⁷ State of Hawaii Executive Office on Aging, 2012 Section II, Utilization and Expenditure Profiles

⁸ AARP Valuing the Invaluable, 2011 Update, The Growing Contributions and Costs of Family Caregiving

⁹ Evercare and NAC, Family Caregivers – What They Spend, What They Sacrifice; The Personal Financial Toll of Caring for a Loved One, 2007.

¹⁰ MetLife Study of Caregiving Costs to Working Caregivers, 2011.