

Parental Responsibility and Choice • Good Government • Free Enterprise • Happiness • Self-Respect • Self-Government • Free to Choose • Prosperity • Appropriate Intolerance and Tolerance • A Civil Society • Appropriate Respect for Others • Secure Property Rights • Excellence • Personal Liberty • Competition • Individual Responsibility and Accountability • Recognition of the Customers' Rights • Good Character • Community Cohesiveness • Personal Honesty and Integrity • Citizen Legislators • Personal Integrity • Family Integrity • Personal Courage • Bottom-up Government • Limited Government • Tough Love • Devotion • Simple Rules and Laws • Focus and Results • Lower Taxes • Measuring and Reporting Results • Knowledge •

IN PURSUIT OF

A PUBLICATION OF THE GRASSROOT INSTITUTE OF HAWAII • NOVEMBER 2002

With the objective of educating and informing Hawaii's public, we frequently publish short studies or commentaries on key current policy issues facing the state. In so doing, we are "In Pursuit" of many objectives, all focused on developing and nurturing positive individual self-government. This study, authored by the President, Center for Long Term

Care Financing, is particularly relevant now because he will be visiting Hawaii in November 2002 to discuss the mandatory Long Term Care Plan for Hawaii which narrowly failed to pass in the 2002 legislative session. There are current, active plans to polish the plan for introduction in a forthcoming legislative session.

HAWAII'S CAREPLUS PROGRAM

"REPORT ON HAWAII'S PROPOSED CAREPLUS MANDATORY LTC INSURANCE PROGRAM"

BY STEPHEN MOSES, PRESIDENT, CENTER FOR LONG-TERM CARE FINANCING

Advocates of government-financed long-term care scored a near miss this year in the State of Hawaii. We offer the following critique of a politically popular, but severely flawed social insurance approach to financing long-term care. It almost passed in Hawaii, and approaches like it are being considered in many other states. Forewarned is forarmed, so please read our report and be ready if similar programs are proposed in your own states.

CarePlus is a compulsory social insurance program proposed to be mandated by the State of Hawaii to supplement long-term care funding. It did not pass the state legislature this year, but came very close. CarePlus would require every adult in the state who is 25 years of age or older, including retirees and homemakers, to pay \$10 per month into a state-administered reserve fund for the remainder of their lives, or until they go on claim, whichever comes first. Participants would be vested at a rate of 10 percent per year to full benefits after 10 years. "De-vesting" at the same rate begins after a one year grace period for participants who fail to contribute. An independent medical evaluation would determine eligibility for benefits. Once eligible, participants would choose their services (which may include any level of care) and providers (which may include friends or relatives). The program would cover 365 days of care with a maximum daily benefit of \$70 per day (gauged to inflation) after a 30-day deductible. CarePlus was scheduled to launch in 2003, but it would not have paid benefits for "at least" two years in order to build reserves. This program may re-emerge in

the future as it had a lot of political support. (See detailed critique of Hawaii CarePlus at The Hawaii Reporter web site:

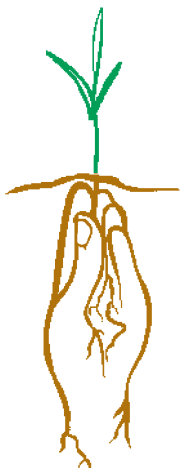
www.hawaiireporter.com/story.aspx?18dcc96c-429d-468c-b7cd-875f9502c310)

In summary, if CarePlus becomes law and is implemented, it will damage Hawaii's long-term care service delivery and financing system in several ways. It will further de-sensitize the people of Hawaii to the real risk and cost of long-term care by adding to the false sense of security created by generous Medicaid long-term care eligibility. It will not relieve the financial burden on Medicaid significantly for many years (if at all) because of the slow phase-in and extremely limited benefits of the program. It will impede the development of a private long-term care insurance market by reducing the public's sense of urgency regarding long-term care risk and cost. It will reward irresponsible health and lifestyle behaviors and punish healthy behaviors by charging all participants the same "premium" regardless of the level of risk they bring into the risk pool. It will encourage and subsidize financial and physical abuse of the elderly by allowing friends and relatives to tap into participants' program benefits. It will be highly vulnerable to manipulation and abuse by affluent or politically-connected participants who can retain legal and medical professionals able to influence benefit eligibility. It severely reduces consumer choice and cedes control of long-term care service delivery and financing even further than currently to state government functionaries. In our judgment, CarePlus as proposed will do far more damage than good and should be avoided.

“If the state of Hawaii decides it cannot afford CAREPLUS, the state legislature and the governor can change the terms of the agreement as easily as they established them in the first place. CAREPLUS beneficiaries have no legal recourse or protection.”

Stephen Moses
PRESIDENT, CENTER FOR
LONG-TERM CARE FINANCING

You are invited to a luncheon on
Thursday November 14 at
the Pacific Club
for a panel discussion which will feature
STEVE MOSES
and three local commentators.
Call Dick Rowland 487-4959
for reservations
\$20.00 in advance.
\$30.00 at the door, space available.



GRASSROOT
INSTITUTE OF HAWAII

**PLEASE SUPPORT
THE GRASSROOT INSTITUTE
OF HAWAII**

We could sure use your bright ideas, energy and financial support. Join the Grassroot Institute of Hawaii, mail a tax-deductible contribution to:

P.O Box 1046 • Aiea, Hawaii, USA 96701.

For more information, call (808) 864-1776,
Fax (808) 484-0117 or email Grassroot@hawaii.rr.com.

Hawaii's only private, free-market public policy institute advocating liberty, responsible and open government, and the rights of the individual. An independent, non-profit affiliate of State Policy Network and more than 80 similar state think tanks and institutes across America and Europe.