Tax Incentives for Family Caregivers: A Cost-Benefit Analysis

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This report is prepared for the Executive Office on Aging, Hawaii Department of Health, under contract with the Cash and Counseling Project at the UH Manoa School of Social Work. The analysis draws from the Hawaii Caregiver Needs Assessment Survey - a stratified random telephone survey of 600 family caregivers in Hawaii. All analyses are weighted to ensure that the results are representative of the Hawaii population. Acknowledging the critical role of family caregivers in supporting the elderly who need assistance as well as the responsibilities and financial burdens associated with it, the state of Hawaii introduced a bill for an act relating to caregiving through S.B. No. 1916, which was signed into law as Act 204, Session Laws of Hawaii 2007. Part 7 of Act 204 requested the Hawaii Executive Office on Aging to prepare a cost-benefit analysis of a family caregiver refundable income tax credit as proposed in S.B. No. 1199, S.D. 2 (2007). This report is presented as fulfillment of that statutory mandate. Act 204 appears as Appendix D of this report.

Overview

The Hawaii refundable caregiver tax credit examined in this report contemplates a cash payment to caregivers, in the form of a $1000 credit towards the caregiver’s state income tax, regardless of actual expenses. Because the tax credit is proposed to be refundable, caregivers with no state income tax obligation would still receive a “refund” check from the state treasury amounting to $1000, if they file a state income tax return. The caregiver tax credit, as proposed in SB 1199 SD2, specifically targets caregivers caring for an older adult (the minimum age for caregiver recipients is 60 years old), and targets benefits towards lower income caregivers (the value of the credit is reduced in steps from $1000 to $100, depending on caregiver’s income). SB

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1 In accordance with instructions of Act 204, $750 and $500 variants of the caregiver tax credit are also considered in this report, but the coarseness of the analysis only permits a distinction between these variants when it comes to state fiscal consequences (the state’s revenue loss would be roughly twice as much for a $1000 credit as for a $500 credit). Many of the other questions of interest - likelihood of caregiving continuation for different levels of the tax credit, differences in caregiver stress levels for a $1000 boost to income versus a $500 boost - are potentially important but unlikely to be answered without extensive longitudinal data analysis. Etheredge (2001) discusses a concept of "flexible benefits" tax credits that might range between a few hundred and a few thousand dollars, at different critical time points in a family’s history (such as college enrollment for a caregiver’s own children). A flexible tax credit might intensify benefits in a targeted way without additional budget costs, but is not analyzed in this report.
The phrase “Family Caregiver” is often used to include adults caring for disabled spouses or disabled adult children. Because this report is focused on elder care, references throughout the report to family caregivers are usually referring to the specific set of caregivers providing assistance to elderly adults. Often, the nature of the relationship is an adult caring for his or her older parent, though other relatives besides parents may be included in definitions of “family.”

To facilitate a cost-benefit analysis, the Family Caregiver Needs Assessment Survey was conducted by the Hawaii State Legislature during Fall 2007. Approximately 600 family caregivers from across the state were surveyed. Some questions were oriented around assessing the value of a potential state income tax credit for caregivers. Principal among these are questions about the amount of a tax subsidy, if any, caregivers would devote to purchase private sector home health assistance for their elderly adult, or to commit to personal/retirement savings. In combination with a demand analysis of the home health aide sector in Hawaii, the likely cost of a caregiver tax credit is estimated as $37.4 million, and the likely consumer benefit is estimated as 38.2 million.

Introduction

With the aging U.S. population fueled by the "baby boomer" generation, there will be an increasing demand for elder care as well as the need for a well-trained elder care workforce. As a consequence, policymakers are designing different strategies to support family caregivers - adults who care for their elder parents. According to the U.S. Census Bureau (2004), the number of elderly between the ages of 65 and 84 will grow by almost 31 million people between 2010 and 2040. Meanwhile, the Department of Health and Human Services estimates that there will be 2.7 million people needed to care for the elderly in 2010 and this could reach 6.5 million by 2050. Caregiving itself is a very expensive service, in part because of strong adverse selection phenomenon - the only people willing to pay for private sector caregiving services tend to be those families facing the most daunting care requirements for their elders.

Family caregivers continue to be the primary source of long-term caregiving for American elders and as such, their unpaid work makes a valuable contribution to society and the economy, and touches a huge segment of the population. In the United States, family caregivers provide an estimated 80 percent of care for older adults (Curry et al., 2006: 166). An estimated 33 million Americans provide unpaid care to an elderly adult (McKune et al 2006). That’s more than 1 in 5 adults in the country providing or receiving care. According to the Congressional Budget Office (2005), about $211 billion in direct expenses was spent on long-term care of the elderly in 2004, of which $77 billion were provided by family members and other informal caregivers. The total value of family caregiving’s contribution to the nation's long term care system has been estimated at $196 billion per year in 1997 (Arno et al. 1999), $257 billion in 2000 (Arno 2002), $333 billion in 2004 (Arno 2006), and $350 billion in 2006 (Gibson and Houser 2007).

Caregiving imposes considerable direct costs on caregivers and their families, including medical services, medical devices and drugs not covered by the insurance, services and renovations for vehicles and home, supplemental income, food, clothing, and personal items for the elderly. A survey by the National Alliance for Caregiving and the America Association of

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Retired Persons (NAC/AARP 2004) found that caregiving is a financial hardship for about 23 percent of caregivers with direct out-of-pocket costs that could range from $2,400 to $3,888 annually.

Meanwhile, caregivers in the workforce have to deal with lost wages, job security, career paths and employment benefits such as health insurance and retirement savings, according to the NAC/AARP (2004) survey. Ninety-two percent of those with an intense level of caregiving make changes in the workplace. Such changes include: arriving late, leaving early or taking time off (83%); taking a leave of absence (41%); dropping back to part time (37%); giving up work entirely (35%); losing job benefits (15%); turning down promotions (14%); and taking early retirement (12%).

Time devoted to the informal care of elderly parents may be incompatible with full-time paid employment at midlife. Between one third and one half of family caregivers are employed either full- or part-time (Curry et al., 2006). Yet some research shows that the typical individual who takes on a caregiving role reduces his or her time at work by about 460 hours per year (Johnson and Lo Sasso 2000). The estimated lost work hours due to caregiving is estimated to reduce an average female’s wealth by $659,139 over her lifetime (MetLife 1999). In general, however, there is still an ongoing debate on the trade-offs between caregiving and paid employment (see also Stern, 1995; Wolf and Soldo, 1994; and Ettner, 1996, among others).

Some important costs borne by family caregivers are non-monetary in nature, but are significant. The physical, emotional and social burdens attached to providing care exact a heavy toll on these family caregivers, including loss of leisure time, increased stress and impaired physical and psychological health. The costs can take the form of limits on preparation for their own retirement, and neglect of their own health (Friedland and Lewis 2004). A number of researchers show that prolonged caregiving has negative effects on the emotional and physical health of the caregivers (Feinberg et al. 2002; Mack 2005). The report of Talley and Crews (2007) shows that compared to non-caregivers, caregivers experience one or more chronic health conditions at nearly twice the rate, 45 percent vs. 24 percent. Also, spousal caregivers with history of chronic illness have a 63 percent higher mortality rate than non-caregivers.

There may be additional costs borne by society, because one third to one half of family caregivers are employed either full- or part-time (Curry et al., 2006, p166), and many caregivers are in precarious financial situations - making them or their care recipients likely claimants for social services. Because caregiving may conflict with caregivers' employment potential, it may generate productivity losses for the economy as a whole. The aging of the U.S. population brings with it a decline in the share of the population who are gainfully employed, and this means that the economic burden of productivity losses due to caregiving are likely to grow in importance in the coming decades.

Tax Subsidies for Family Caregivers

Tax subsidies are one set of strategies for caregiver support. In crafting tax incentives or subsidies, income tax credits (as opposed to income tax exemptions or deductions) are usually advocated on grounds of equity, because tax exemptions and deductions tend to favor people with higher income. As opposed to tax deduction, a tax credit provides a greater relative tax savings to individuals in the lowest income tax bracket since it represents a fixed dollar reduction in the amount of taxes paid, regardless of tax bracket (Silverstein and Parrott, 2001,
The availability of tax credits is probably most beneficial to people with lower incomes, because low income families often cannot give up a salary to provide full-time care, nor do their jobs offer flexibility that would allow them to mix caretaking and working. Normally, the value of tax credits is drastically lower than the actual costs of nursing facility placement or even professional home care, at market prices. But analyses with careful attention to the likelihood of professional care at public expense have not been conducted.

U.S. Federal Caregiver Tax Subsidies

The passage of the National Family Caregivers Support Program (NFCSP) and expansion of Family Medical Leave Act were among the policy initiatives after the 1995 White House Conference on Aging. The National Family Caregivers Support Program provides states with funds for direct services to caregivers, and has opened up an era of renewed attention to long term care and family caregiving.

To augment the direct services provided by NFCSP, federal caregiving tax incentives have been proposed with credits or deductions ranging from $1,000 - $5,000, though some bills target the dementia-only population (S. 2029). In 2007 alone, two major caregiving initiatives were proposed in the U.S. Congress. One bill would expand the eligibility of the Dependent Care Tax Credit (DCTC), to allow coverage when care recipients do not live with the caregiver (such as elders who live in assisted living facilities) [HR.1911, Donnelly (IN-D), 4/18/2007]. A second bill would provide an unrestricted tax credit of $3,000 annually for caregivers [S.2121, Menendez (D-NJ), 10/1/2007]. This new federal income tax credit proposed in S.2121 is modeled on the credits provided by many state governments, and the 2007 introduction of the bill follows on many past introductions of similar legislation - all of which have failed to become law. As pointed out by Wagner (2005:6), "Although some proposals have been put forth in Congress since the 1995 Conference in support of tax credits for family caregivers, no action has been taken on this item." No U.S. federal tax-based compensation for caregivers’ time has been enacted.

Because it is mostly limited to tax relief for direct expenses, the U.S. approach to caregiver support is limited at the national level (Keefe et al., 2005). Moreover, through restrictions based on income and tax burden, even the limited support constrains possible benefits to caregivers. Under the federal DCTC, a portion of expenses incurred for the care of children, elderly and disabled dependents are covered for workers (Stone & Keigher, 1994). The amount that can be claimed under this program is determined by the taxpayers’ expenses and adjusted gross income with $1,440 as the maximum dependent care credit annually. But as noted by Silverstein and Parrott (2001), the DCTC is claimed largely by working parents of children, rather than working caregivers providing support for an adult family member. Given that the DCTC is a nonrefundable credit, its value to lower-income working caregivers may be very limited. In addition, the DCTC is almost never available to compensate the family members for their own services as caregivers.

U.S. State Caregiver Tax Subsidies

States’ approaches to caregiver support differ broadly. Keefe et al describe the approach of four states - Illinois, North Dakota, Texas and Hawaii - and shows the wide variance in programs in terms of eligibility, value and funding source. The only commonality among these four states is the provision of home support services and caregiver respite. California has the
most comprehensive approach enacted for caregiver support, as it offers tax relief, partial family paid leave, resource centers, in-home assessment, family consultation and care planning, and respite and in-home support services.

About half the states and the District of Columbia provide a refundable or nonrefundable dependent-care or caregiver tax credit. Tax deductions or tax credits that range in value from $500 - $2,400 are being provided by some states to offer some financial relief to caregivers, with differences in the eligibility criteria and scope of coverage (Feinberg, 2004). In Idaho, for example, a refundable tax credit of $100 is offered to family members other than a spouse who provide in-home care and at least 50 percent of the support for an elderly relative (Barusch, 1995). A $500 tax credit took effect on January 1, 2001 for California taxpayers who need long-term care or provide long-term care to family members (Fox-Grage et al. 2001:7), but the credit was discontinued in 2006 (Spilberg 2006). Most states that provide a tax subsidy for caregivers are doing so by matching a percentage of the federal Dependent Care Tax Credit. Some states have loosened the income threshold imposed by the federal tax credit, and about 15 states have made their tax credits refundable. Only a small number of states provide a tax credit that is tied to the act of caregiving, rather than to direct expenses of caregiving (Montgomery and Feinberg, 2003).

Table 1: State Tax Subsidies for Caregivers

<table>
<thead>
<tr>
<th>state</th>
<th>Dependent Care Tax Credit</th>
<th>Caregiver Tax Credit or Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Delaware</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Hawaii</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Idaho</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Iowa</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Kansas</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Kentucky</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>North Carolina</td>
<td>x</td>
<td></td>
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<tr>
<td>North Dakota</td>
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<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Oregon</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Washington D.C.</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

source: Alzheimer’s Association (2006). States not listed provide neither a dependent care tax credit nor a family caregiver tax credit.
**Efforts in Other Countries**

Although various financial compensation programs have been developed around the world supporting (informal) caregivers, there still exists a very limited evaluative research comparing these programs (Keefe and Fancey, 1998). In a more general perspective, Keefe et al. (2005) identify three broad types of initiatives that have been implemented in developed countries to financially compensate caregivers and these include (1) direct: cash assistance in the form of wages, salaries or allowances; (2) indirect: tax relief, tax credits, or third party payment of pension credits or insurance premiums; and (3) labor: policies like requiring employers to allow paid leave from work and similar mandates.

At a glance, the report conducted by Keefe et al. in 10 countries reveals a mixed-model approach to financial compensation for caregivers, with programs varying in terms of eligibility criteria, value of compensation, and administration processes. A cross country comparison of these approaches is summarized in Table 2.

<table>
<thead>
<tr>
<th>Country</th>
<th>direct</th>
<th>indirect</th>
<th>labor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Y</td>
<td>Y</td>
<td>n</td>
</tr>
<tr>
<td>France</td>
<td>Y</td>
<td>Y</td>
<td>n</td>
</tr>
<tr>
<td>Germany</td>
<td>Y</td>
<td>Y</td>
<td>n</td>
</tr>
<tr>
<td>Israel</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Norway</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Sweden</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Y</td>
<td>Y</td>
<td>n</td>
</tr>
<tr>
<td>United States</td>
<td>n</td>
<td>Y</td>
<td>n</td>
</tr>
</tbody>
</table>

*Source: Keefe et al. (2005)*

In comparing the existing program of the countries included in the study, Keefe et al. (2005) argue that financial compensation should be broader than tax relief and include labor policy intended for employees with caregiving responsibilities who often incur direct expenses or lost wages due to caregiving. Aside from the limited access for those with low income, the issues raised on tax relief include comparisons between credit and deduction, eligibility criteria, value of the subsidy, and whether or not credits should be refundable.

Some research attention has been brought to bear on outcomes in Canada - a country that provides income tax subsidies and a host of support services for caregivers. In this country, about 80 to 90 percent of the assistance to elderly persons is provided in their home by informal caregivers (Keefe and Fancey, 1999). As Fast and Keating (2000) point out, Canada does little to provide unrestricted financial support to caregivers. The Canadian Caregiver Tax Credit, which was implemented in 1998, aimed to reduce the tax burden of low income family caregivers, but it is limited to $400, annually. The Canadian federal government only spends $50 million on this benefit, annually (Shillington, 2004).

Keefe and Fancey (1999) examine caregiver tax relief initiatives in many countries, with the objective of reviewing a range of tax relief (along with pension schemes) for caregivers and evaluating such policies using specific criteria for adequacy, suitability, sustainability and equity. A comparison of tax relief in different countries is presented in Table 3.
Table 3. Examples of Tax Relief in Selected Countries

### Income Tax Credits

- **Canada**
  - Infirm Dependent Tax Credit, for caregivers whose dependent is assessed by a physician as severely disabled; maximum credit of $400, non-refundable
  - Caregiver Tax Credit, for caregivers in the same household as their dependent; maximum credit of $400, non-refundable
  - Disability Tax Credit & Medical Expenses, transferable to caregiver; expenses must exceed $1,614 or 3% of net income - non-refundable

- **United States**
  - Dependent Care Tax Credit, for direct expenses of employed caregivers who provide 50% of dependents support; maximum credit of $2,189

- **Singapore**
  - A credit of $760 is available for each relative supported

### Income Tax Deductions

- **United States**
  - Available in 8 states, e.g. Idaho - $1,520 deductible from taxable income

- **Germany**
  - Incidental home help costs deductible from income ($1,469); Regular home help costs deductible from income ($9,793)

- **France**
  - 50% of intermittent home help costs deductible from income ($552)

### Income Tax Exemptions

- **United States**
  - Arizona - $912 exemption from tax for paying at least 25% of the costs of a long term care facility, in home support or medical costs

- **Sweden**
  - Informal Carer Allowance exempt from income tax

*Source: Keefe and Fancey (1999). All values are in Canadian dollars.*

### Tax Credits As A Policy Instrument

Like direct payments from government, such as agriculture subsidies or social security benefits, tax subsidies are given directly to the citizen in exchange of accomplishing a desired behavior. As a result, tax credits permit individual discretion on spending rather than the government dictating spending priorities for each person. Rather than redistributing funds, the government merely avoids collecting taxes and thus tax credits are seen as a "costless form of subsidy" (Pitts and Wittenbach, 1981, p335). Tax deductions have been shown to alter taxpayer purchase behavior across a wide variety of settings.

But tax deductions, which have been part of the U.S. system since the income tax law was enacted in 1913, reduce the progressive structure of the tax because itemized deductions give proportionately greater benefits to taxpayers in upper brackets than to those in low or middle brackets.

Motivated to find alternatives for tax deductions, Weidenbaum (1974) proposed a tax system in the form of tax credits that is more equitable for taxpayers while at the same time
promoting private and local efforts in dealing with significant problems. In contrast to deductions, wherein the value of a deductible dollar differs with the taxpayer's bracket, credits are not implicitly regressive: regardless of income, the percentage a tax credit and percentage of allowable expenses are the same. Indeed, equitable tax credits even strengthen the progressive nature of the personal income tax, if the percentage of the credit lies between the highest and lowest marginal tax rate. Provision of the tax credit reduces the average tax burden for those whose marginal income tax rates were below the percentage of the tax credit while the opposite is true for those whose marginal rates were above the percentage credit. For example, any taxpayer giving $500 to charity would have his tax liability reduced by $100 with a 20 percent tax credit. Such a reduction is of greater value, as a proportion of income or as a proportion of overall tax burden, for those in a 15% marginal tax bracket than for those in a 28% marginal tax bracket.

Tax credits are often given as a percentage of expenses. Some examples include partial or complete credits for retirement income, business investment, state inheritance taxes, taxes paid to foreign governments, state unemployment taxes paid by employers and the wages paid to employees hired under the work incentive program. The optimal tax credit percentage depends on the impact of the incentive, after weighing the benefits from making the incentive against the cost of lost revenue. One of the classic statements about tax subsidies is that tax credits must not be considered as a panacea, and each type of credit must be assessed on its merits and in relation to circumstances at hand (Watters 1970).

Because tax credits are relatively more beneficial to lower and moderate income taxpayers, it could be a potential instrument for encouraging volunteerism among segments of the population with less freedom to forego income and engage in volunteer work. Tax credits thus have the potential to promote certain public goods, such as a robust nonprofit sector, widespread home ownership, or better personal savings.

On the other side of the spectrum, the arguments against tax credits include the perception that they are subsidies for the middle class since they are available only to taxpayers whose liabilities are sufficient to cover the credit claim (Surrey, 1973, in Pitts and Wittenbach, 1981, p336). Moreover, since tax credits are available only after a certain period of time, the recipients bear the entire initial costs of expenditures. Worst of all, tax credits are sometimes provided without careful evaluation of their consequences. In cases where the target behavior is price-inelastic (insensitive to financial incentives), a tax credit ends up as a windfall payment to those who would have engaged in the behavior, anyway.

Feder (2002) discusses the potential pitfalls of reliance on tax policy. First, tax credits may offer too few dollars to make the desired economic choice affordable to the taxpayer. For example, the average cost of long-term care insurance is much higher than the typical tax credits. Any time a tax credit compensates for less than the full cost of the desired behavior, the lower the income of an individual, the less able that individual is to make up the difference between the credit and cost of the policy. For example, financial support for caregivers is often too small to be of significant help in augmenting the quality of care (Rivlin and Wiener 1998; Unpaid Caregiving Forum 2003). Depending on the kind of care required by an elderly adult, the value of typical caregiving services provided by family members might range between $10,400 and $43,000 per year (Gibson & Houser 2007), yet caregiver tax benefits provided by states are worth no more than two or three thousand dollars, and are usually worth only a few hundred dollars. Young and Newman (2003) suggest that although the benefits from tax credits are limited, they can make a difference in the often high costs of providing care, and may better
assist some family and informal caregivers in saving for their own retirement needs. But so far, there is little evidence that tax relief will stimulate and encourage greater involvement by family members.

Second, many tax credits do not reach low income people, after all. For example, nonrefundable tax credits for health insurance are relatively ineffective at generating more widespread purchase of insurance, because half of the people without insurance do not file an income tax return or owe any income taxes (White and Keefe 2005). Even refundable tax credits are less effective among the poor, because many do not file income tax returns, and because it is difficult for people with limited incomes to lay out the expense now, in return for compensation later, in the form of a tax refund. (Stone 2001). Keefe and Fancey (1999: 200) note an “inverse care law” that results in those most in need of care being least likely to apply for reimbursement, because more affluent caregivers, who may be in less need of support, have greater capacity to claim the tax benefits. Finally, it is important to consider that some tax credits are actually based on incurred expenses, and they therefore may tend to provide fewer benefits to taxpayers without the financial capital to purchase services or supplies. Taxpayers with more disposable income are more likely to have higher expenses and may be more likely to be able to take full advantage of the tax credit.

A related phenomenon that is particularly important for caregiving is that tax credits may not reach the caregiving population. Shillington (2004) points out that, while Canadian caregivers are disproportionately women, only 1 percent of tax filers claim the Canadian Caregiver Tax Credit and 75 percent of claimants are male. Factors leading to gender disparities in claims for this tax subsidy include: differential knowledge of the tax credit and access to professional tax advisors, and differential patterns of caregiving living arrangements (in-house caregiving is a requirement of the program).

Perhaps in part for these reasons, the Hawaii Legislative Research Bureau examined the proposal to use state income tax credits to support specific areas of long-term care for elderly almost two decades ago, and concluded that state tax credits for caregivers would be contrary to accepted tax policy in the State (Cammack 1989).

With respect to caregiver tax credits, Keefe and Fancey (1998) stress that there is a need to assess the goals of tax credits. Are they provided to change the personal financial situation of the caregiver and induce more desired financial planning (such as retirement saving); to reward caregiving and improve the quality of care elders receive; or to delay institutionalization of the care receiver (and perhaps to shield the state of Medicaid claims for such institutionalization)?

Caregiver Estimates

Despite the intensified awareness on the issues associated with family caregiving for an older adult especially after the 1995 White House Conference on Aging, caregiving issues remain complex and many questions remain unanswered. This section estimates a number of key demographic and cost factors necessary for a detailed consideration of the costs and benefits of a Hawaii Caregiver Tax Credit.

To develop a better understanding of the likely consequences of introducing a state income tax credit for caregivers in Hawaii, the Family Caregiver Needs Assessment surveyed 600 family members caring for an older adult. The survey is based on a stratified random sample, and employed computer assisted telephone interviewing techniques. Households were
selected at random within specific calling prefix areas and included both listed and unlisted numbers. The survey solicited responses about attitudes and experiences of caregivers, ranging from economic to psychological issues. Some of the survey questions were specifically oriented around likely uses for a potential state income tax credit for caregivers, actual expenses borne by Hawaii family caregivers, and attitudes about state support for caregivers. The actual question wording for the items examined in this report are contained in Appendix A of this report.

Because the survey responses about how caregivers would likely spend a potential tax credit are central to several benefit analyses later, the results are summarized in Table 4.

Table 4: Likely Distribution of Caregiver Tax Credit

<table>
<thead>
<tr>
<th>spending item</th>
<th>% distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>personal consumption</td>
<td>13.6%</td>
</tr>
<tr>
<td>family consumption</td>
<td>23.9%</td>
</tr>
<tr>
<td>personal savings</td>
<td>31.8%</td>
</tr>
<tr>
<td>retirement savings</td>
<td>8.1%</td>
</tr>
<tr>
<td>home personal care</td>
<td>15.2%</td>
</tr>
<tr>
<td>adult day care</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Some other key facts necessary to carefully assess the costs and benefits of a Hawaii caregiver tax credit are outlined in Table 5. In some instances, the facts come from archival sources; in other instances, the key facts are derived from other sections of the Hawaii Caregiver Needs Assessment Survey. The paragraphs that follow Table 5 provide detailed explanations for some of the more complex derivations.

Table 5: Key Hawaii Facts

- Number of family caregivers in Hawaii in 2004: 192,390 (HI EoA 2004:13)
- Number of caregivers eligible for Tax Credit, under SB 1199 SD2: 46,943 (Fukunaga 2007)
- Average number of hours devoted by family caregivers, weekly: 22 hours (HI CNAS 2007, see below)
- Average additional home care purchased by caregivers: 39.8 minutes per week (HI CNAS 2007)
- Hourly value of family caregiving services (national estimate): $9.63 (Gibson & Houser 2007)
- Total annual caregiving hours provided by family caregivers: 135 million (Feinberg et al. 2004)
- Economic value of caregiving hours provided by family: $1.3 billion (Feinberg et al. 2004)
- Number of employees in the home care workforce: 4,255 (see below)
- Number of caregivers who are employed: 55.8% (HI CNAS 2007)

Family Caregiving Time Commitment

Caregiving for elderly adults constitutes a wide range of services from simple assistance with daily living activities to medically intense care normally provided by professionals. Such caregiving also may constitute a wide range of time commitments. The most recent assessment

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3 Based on the 2003 Hawaii Health Survey. The 2000 Behavioral Risk Factor Surveillance Survey used the same definition, but identified only 126,379 family caregivers in Hawaii.

This estimate follows the convention used in previous studies, by excluding the one-third of survey respondents who, when asked about their weekly time commitment to caregiving, reported that they provide “continuous care”. Inclusion of such respondents in the average might mean treating them as if they provide 112 weekly hours of care (16 hours per day, 7 days per week). Such a treatment would raise the average caregiver time commitment from 22.0 hours per week to 53 hours per week. Because it is unclear what respondents might mean by “continuous care”, and because such responses have been ignored in previous published estimates, the rest of this report relies on the 22-hour estimate.

No local estimate of caregiver time commitment has been available for Hawaii until the Family Caregiver Needs Assessment Survey specifically asked Hawaii caregivers to estimate the number of hours per week they devote to caregiving for their elderly parents. The distribution of responses is described in Figure 1. On average, Hawaii caregivers report spending 22.0 hours per week caring for their parents - almost identical to the most recent national estimate.5

Value of Family Caregiving I: Direct Costs

The Hawaii Family Caregiver Needs Assessment Survey asked respondents how much of a financial hardship they were experiencing, as a result of their caregiving responsibilities. Surprisingly, half of caregivers surveyed reported “no hardship at all”, while the rest of the caregivers arrayed themselves pretty evenly along a continuum leading up to “a great deal of hardship,” as illustrated in Figure 2.

---

5 This estimate follows the convention used in previous studies, by excluding the one-third of survey respondents who, when asked about their weekly time commitment to caregiving, reported that they provide “continuous care”. Inclusion of such respondents in the average might mean treating them as if they provide 112 weekly hours of care (16 hours per day, 7 days per week). Such a treatment would raise the average caregiver time commitment from 22.0 hours per week to 53 hours per week. Because it is unclear what respondents might mean by “continuous care”, and because such responses have been ignored in previous published estimates, the rest of this report relies on the 22-hour estimate.
Value of Family Caregiving II: Indirect Costs

Home health aides in Hawaii earned an average hourly wage of $10.26 in 2005 (Houser et al. 2006), but many elderly people require a less intense level of care better described as “home care.” Personal and Home Care Aides in Hawaii earned an average hourly wage of $7.36 in 2005 (Houser et al. 2006).

Recent research has turned to deriving estimates of the value of caregiving provided by families. These efforts are complicated by the fact that such caregiving is uncompensated and therefore difficult to value. Arno (2006) calculated the average of the federal minimum wage ($5.15/hr) and the national average wage for home health aides ($14.68/hr), to arrive at an implicit wage for family caregivers ($9.92/hr). Gibson & Houser employ a similar family caregiver wage valuation strategy, and arrive at an implicit wage for family caregivers of $9.63/hr.

In Hawaii, home health aides earned an hourly wage that was higher than the national wage by $1.22/hr, in 2005, but personal and home care aides earned $0.98/hr less than the U.S. average (Houser et al. 2006), so the appropriate implicit wage rate for Hawaii family caregivers may be close to the national estimates.  

The analysis in later sections sometimes brackets minimum or maximum cost and benefit estimates, by considering the highest and lowest reported hourly wages for personal care - $14.68 and $7.36, respectively.

Value of Family Caregiving III: Combined Costs

When caregivers were asked to estimate their annual cost of caregiving, they report figures that match national averages (Gibson & Houser 2007), but present very wide disparities, as indicated in Figure 3.

---

*Feinberg et al (2004) report the wage premium for home health aides in Hawaii as $1.65/hr above the national average, but do not report wages for personal and home care aides in Hawaii.*
Perhaps surprisingly, family caregivers who are juggling a job do not currently purchase significantly more home care or adult day care than their non-employed counterparts (t=0.4, p=.69).

Professional Home Care Services

Feinberg et al. (2004) report that Hawaii was home to 1,420 Home Health Aides in 2002, but many other categories of workers engage in permanent or occasional long-term care for the elderly outside of residential facilities.

No local or even national estimates have been available for the amount of personal home-based care purchased by family on behalf of their older relatives, until the Hawaii Family Caregiver Needs Assessment Survey asked caregivers to estimate the number of hours per week they pay for professional care of the older adult for whom they care. In Hawaii, only 7.7% of all family caregivers are currently purchasing professional care for their older relatives, according to the survey. One reason for this phenomenon could be cost: 49% of respondents who offered an opinion about the cost of professional care agreed that “services cost too much”. Spreading the small amount of care purchased across the full sample of family caregivers allows calculation of the average weekly professional care purchased by caregivers: a mere 39 minutes per week (.66 hours).\(^7\)

By contrast, the home care industry is substantial here in Hawaii. The Bureau of Labor Statistics reports 2006 employment and wage estimates for many relevant categories of workers that are sometimes used by families providing long-term care for an older adult. Unfortunately, BLS estimates do not distinguish between nursing home, hospital, or in-home employment for these workers. For example, there were about 2,000 Licensed Practical Nurses (LPNs) and Licensed Vocational Nurses (LVNs) in Hawaii in 2006. But the majority of nurses work exclusively in hospitals. While a substantial number of LPNs work full or part time providing care in people’s homes, it would be inappropriate to include all of them in a tabulation of the home care services industry. Fortunately, a 2000 study of long-term care workers did segregate

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\(^7\) Perhaps surprisingly, family caregivers who are juggling a job do not currently purchase significantly more home care or adult day care than their non-employed counterparts (t=0.4, p=.69).
national health and personal care employment statistics into long term care and non-long-term care workers (DALTCP 2003), and further distinguished between nursing home/institutional care and all other types of care (including adult daycare). Table 6 specifies all the potentially relevant BLS employment categories, together with some calculations from data in the DALTCP report. These data indicate the portion of workers in these categories working in long-term care, generally, and working outside of institutional care settings, specifically.

### Table 6: Hawaii Home Care Labor Market

<table>
<thead>
<tr>
<th>BLS Category</th>
<th>Total 2000 Employment</th>
<th>Percent Engaged in Long-Term Care (LTC)</th>
<th>Percent of LTC working outside nursing homes and residential facilities</th>
<th>Total 2006 Employment</th>
<th>Total In-Home Caregivers (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Nurses</td>
<td>2,189,670</td>
<td>12.1%</td>
<td>45.5%</td>
<td>9,610</td>
<td>527</td>
</tr>
<tr>
<td>Licensed Practical Nurses, Licensed Vocational Nurses</td>
<td>679,470</td>
<td>38.9%</td>
<td>23.1%</td>
<td>2,010</td>
<td>180</td>
</tr>
<tr>
<td>Nursing Aides, Orderlies, &amp; Attendants</td>
<td>1,273,460</td>
<td>57.6%</td>
<td>12.0%</td>
<td>4,680</td>
<td>323</td>
</tr>
<tr>
<td>Home Health Aides</td>
<td>561,120</td>
<td>63.6%</td>
<td>90.5%</td>
<td>1,780</td>
<td>1,025</td>
</tr>
<tr>
<td>Personal Care Aides, Home Care Aides</td>
<td>371,280</td>
<td>64.1%</td>
<td>94.5%</td>
<td>3,410</td>
<td>2,066</td>
</tr>
<tr>
<td>Other Healthcare Support Workers</td>
<td></td>
<td></td>
<td></td>
<td>1,180</td>
<td>82</td>
</tr>
<tr>
<td>Other Personal Care and Service Workers</td>
<td></td>
<td></td>
<td></td>
<td>950</td>
<td>52</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>4,255</strong></td>
<td></td>
</tr>
</tbody>
</table>


*note: Hawaii in-home caregivers (last column) is estimated as total 2006 Hawaii employment, multiplied by the percentages in the second and third columns. Hawaii Health Care Support Workers are treated the same as Nursing Aides, and Hawaii Personal Care and Service Workers are treated the same as Registered Nurses, for purposes of estimating the proportion available as in-home caregivers.*
Estimated Consequences of Caregiver Tax Credits

Prior to conducting a strict cost-benefit analysis, it is useful to estimate the likely consequences of a Hawaii caregiver tax credit. As the following sections will demonstrate, in layman’s terms, the credit (as proposed in SB 1199 SD2) would redistribute about $31.5 million in Hawaii. That $31.5 million dollars will generate approximately $37.4 million in immediate economic activity, while an additional $12.6 million will be deposited into the personal and retirement savings accounts of family caregivers. Eventually, those personal savings will be spent by family caregivers, presumably making up initial loss in state economic activity.

$7.1 million of the money redistributed to caregivers will be spent on personal and home care. That amount of spending on personal care will require about 386 new workers to be added to the home and adult day care labor force (9% expansion), and it will result in an improvement in worker productivity of about 1.4% for those caregivers who are working (valued at $762 thousand here in Hawaii). The following sub-sections describe the bases for these estimations. In the final section of this report, these estimates are employed in a cost-benefit analysis.

Fiscal Consequences

Fox-Grage et al. (2001) examine some state income tax credit or exemption benefits for family caregivers in four states (California, Maryland, New York and Pennsylvania). Rather than specifically analyzing the impact such subsidies have on caregivers or on state coffers, their descriptive and theoretical discussion emphasizes the possible drawbacks of such a policy on state budgets.

The Hawaii State Department of Taxation already provided a revenue impact statement on the caregiver tax credit, according to the Senate Committee on Economic Development and Taxation (Fukunaga 2007 - see Appendix C). They calculated that about 46,943 family caregivers would be eligible for the tax credit, based on the criteria specified in SB 1199 SD2. They then estimated that all 46,943 caregivers would claim the credit and create a revenue loss for the state of $35,600,000.

This report provides an estimate of revenue loss that differs from DOTAX for two reasons. First, the DOTAX revenue impact ignores an important offsetting factor - that the tax credits will be spent in predictable ways that will generate some substantial state tax revenues. Second, the California experience suggests that there can be very substantial numbers of eligible caregivers who fail to claim a caregiver credit.

In assessing the fiscal consequences of a proposed $500 California caregiver tax credit, the California Legislative Analysis Office predicted in 2000 that approximately 120,000 taxpayers would likely claim the credit on their state income tax returns - only about 3.5% of all family caregivers in the state (CA LAO 2000). This very low number of claimants is consistent with the experience in Canada, where only 1% of tax filers claim the Canadian Caregiver Tax Credit (Feder 2002). The CA Legislative Analysis Office further predicted that, due to limits on the credit, the state’s revenue loss would only average $391.67 per claimant. All told, the CA LAO predicted an annual state revenue loss for the California Caregiver Tax Credit of $47 million. The actual California revenue outlay was a mere $2.48 million in 2004 - roughly one twentieth as many claims as expected (Spilberg 2006).

It seems likely that the very low claim rate in California is due to two factors. First, the eligibility criteria were complex and confusing. Caregivers could only claim the credit if their care recipients had very low income (below $7,800 per year). Care recipients whose incomes
were above $7,800 could claim the California Caregiver tax credit themselves - but very few actually did. This phenomenon is consistent with research about tax complexity, which shows that simplifications of tax rules and instructions can significantly improve the rate of claims for tax credits and deductions, and therefore improve the effectiveness of such instruments (Gale 2001; Blumenthal 2004; Slemrod 1989).

A second potential reason for the remarkably low revenue outlay for the California Caregiver Tax Credit is that many low income people do not file an income tax return when they owe no income tax, even if they are eligible for a refundable income tax credit that would provide a cash return. One set of scholars recently estimated that the federal earned income tax credit (also a refundable tax credit aimed at lower income workers) - is claimed by no more than 39% of those whose income is so low that they are not required to file an income tax return.

The Hawaii Family Caregiver Needs Assessment Survey provides some income indicators that are useful in assessing the likely initial revenue impact for a Hawaii Family Caregiver Tax Credit. SB 1199 SD2 specified the following rate schedule, based on income, for all those who satisfy the other criteria for the credit:

<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>Caregiver Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $30,000</td>
<td>100%</td>
</tr>
<tr>
<td>$30,000 to $50,000</td>
<td>70%</td>
</tr>
<tr>
<td>50,000 to 75,000</td>
<td>40%</td>
</tr>
<tr>
<td>Over $75,000</td>
<td>10%</td>
</tr>
</tbody>
</table>

Figure 4 aggregates the reported household income of survey respondents into the categories specified in SB 1199 SD2. Only about 40% of caregivers could claim 100% of the Family Caregiver Tax Credit in Hawaii. The other caregivers have incomes that will limit the value of the credit. For about 6% of caregivers, the credit specified in SB 1199 SD2 would be worth no more than $100.
Given the California experience and the evidence about the Federal Earned Income Tax Credit for workers without income tax liability, it seems very unlikely that each caregiver in the lowest income class would claim the full credit, even though it is refundable. A better estimate comes from Scholz, who notes that only about 80-86% of workers eligible for the (refundable) earned income tax credit claimed it in 1990 (aggregated across those who are and those who are not required to file a federal income tax return).

If 80% of caregivers with incomes under $30,000 annually claimed the caregiver tax credit, and every single other eligible caregiver claimed the credit, Table 7 calculates the initial projected revenue loss for a caregiver tax credit capped at $1000.

Table 7: Revenue Impacts for a $1000 Family Caregiver Tax Credit

<table>
<thead>
<tr>
<th>Income Category</th>
<th>Assumed Claim Rate</th>
<th>Percent of Caregivers in this Income Category</th>
<th>Estimated Number Eligible Caregivers in this Income Category</th>
<th>Maximum Credit</th>
<th>Initial Revenue Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>under $30k</td>
<td>80%</td>
<td>40.1%</td>
<td>18,836</td>
<td>$1000</td>
<td>$15,069,097.48</td>
</tr>
<tr>
<td>$30-$50k</td>
<td>100%</td>
<td>43.3%</td>
<td>20,316</td>
<td>$700</td>
<td>$14,220,967.65</td>
</tr>
<tr>
<td>$50-$75k</td>
<td>100%</td>
<td>10.3%</td>
<td>4,832</td>
<td>$400</td>
<td>$1,932,947.06</td>
</tr>
<tr>
<td>over $75k</td>
<td>100%</td>
<td>6.3%</td>
<td>2,959</td>
<td>$100</td>
<td>$295,859.24</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>46,943</td>
<td></td>
<td></td>
<td>$31,518,871.43</td>
</tr>
</tbody>
</table>


note: the total revenue impact estimate would come out virtually identical to the DOTAX estimate if the claim rate for caregivers with incomes below $30,000 were assumed to be 100%. The estimate has the advantage that it is rooted in the actual surveyed incomes of caregivers.

For obvious reasons, a tax credit with an upper limit of $750 would create revenue losses only 75% as large ($23.6 million) and a tax credit with an upper limit of $500 would create only half the revenue losses estimated in Table 7 ($15.8 million).

But initial revenue outlays are only half the story. As detailed in the next section, these tax credits will generate economic activity within the state that can be precisely estimated. Considerable state revenues will be generated that offset the initial revenue losses estimated in Table 7.

Local Economy Consequences

Economies are interconnected networks of interdependent activity and the effects of a change in one part of such a network therefore propagate throughout the system like ripples in a pond. As a result, any economic stimulus leads to a greater total impact than the original change would have caused in isolation. Economic multipliers are calculated by economists for every business or industry sector and for specific regional economies, in order to quantify and predict the magnitude of ripple effects in an economy. Multipliers can be very useful in providing
estimates of total gross sales, employment, income, and even tax revenues that will result from any specific economic activity.

If a specific company’s sales grow by $10,000, it will need to purchase additional labor and raw materials in order to fill those orders. Subsequent companies will realize their own portion of that additional sales activity, and a long chain of additional economic activity and growth in employment and earnings will have been initiated. The sum total of all that activity is indicated by a final demand output multiplier, and the value of the multiplier varies by the sector of the economy and by the region in which the company is located. Generally, output multipliers are greater than unity, because they capture both the initial economic activity as well as the subsequent ripples.

Multipliers are not infinitely large, and they are not even guaranteed to be larger than 1 because a certain portion of exchanged dollars “leak” out of the regional economy, in the form of non-local investment, long-term savings, increased tax payments, and spending on goods and services that are not produced locally. For example, an economic stimulus in a large city will stimulate more spending locally with less leakage of dollars outside the region while an underdeveloped support sector which usually includes smaller communities will hold dollars locally for a shorter period as residents make many of their purchases outside of the community.

The Hawaii Department of Business Economic Development and Tourism calculated statewide economic multipliers in 2002, based on their “tuning” for (local conditions) of the estimates provided by the U.S. Bureau of Economic Analysis (HI DBEDT 2002).

As indicated in Table 4, the Family Caregiver Needs Assessment Survey solicited information about the amount of money caregivers expected they might spend on various spending targets. Those targets may be lumped together into three categories for which economic multipliers are available in Hawaii. Table 8 specifies those three categories, and distributes an estimated $31.5 million dollar stimulus (see the fiscal consequences section above) across those categories in a manner consistent with the spending priorities identified by caregivers in Table 4. Table 8 also describes the set of calculations necessary to estimate the total economic activity that will result from these different streams of caregiver spending (the last column is the product of the previous two columns).

---

8 A fourth category, personal and retirement savings, is better treated as economic “leakage”. The additional money going into savings is relatively minor and unlikely to be stimulating additional activity in the financial planning industry. But the removal of the funds from the economy will have a measurable impact: a short-term reduction in the economic ripples that result from the tax credit.
Table 8: Total Economic Activity Resulting from Caregiver Tax Credit

<table>
<thead>
<tr>
<th>industrial category</th>
<th>survey categories</th>
<th>initial tax-credit induced economic stimulus</th>
<th>type II final demand output multiplier</th>
<th>total economic activity generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>household spending</td>
<td>“personal expenses”</td>
<td>$11,824,431</td>
<td>1.97</td>
<td>$23,294,129</td>
</tr>
<tr>
<td></td>
<td>“family expenses”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>personal care</td>
<td>“part-time care”</td>
<td>$4,804,848</td>
<td>1.98</td>
<td>$9,513,599</td>
</tr>
<tr>
<td>services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nursing and</td>
<td>“adult daycare”</td>
<td>$2,329,290</td>
<td>1.99</td>
<td>$4,635,287</td>
</tr>
<tr>
<td>residential care</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td></td>
<td>$18,958,569</td>
<td></td>
<td>$37,443,015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>“personal savings”</td>
<td>$12,560,303</td>
<td>0.00 (leakage)</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>“retirement savings”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$31,518,871</td>
<td></td>
<td>$37,443,015</td>
</tr>
</tbody>
</table>

source for multipliers: HI DBEDT 2002

note: economic stimulus based on estimated $31.5 million revenue loss distributed in the manner caregivers report they would probably spend the tax credit. The total economic activity generated incorporates no effect for personal or retirement savings because savings are normally treated as “leakage” in input-output analyses (and thus ignored).

Aside from the total economic activity generated, it is possible to employ similar methodology to calculate the state tax revenues that would be generated as part of the economic stimulus from the tax credits. Like output multipliers, final demand state tax multipliers are available (HI DBEDT 2002) and can be used to predict state tax revenues that will be recouped from the economy. Table 9 describes those calculations.
Table 9: Total State Tax Revenue Recouped from Caregiver Tax Credit Economic Stimulus

<table>
<thead>
<tr>
<th>industrial category</th>
<th>survey categories</th>
<th>initial tax-credit induced economic stimulus</th>
<th>type II final demand state tax multiplier</th>
<th>total state tax revenue recouped</th>
</tr>
</thead>
<tbody>
<tr>
<td>household spending</td>
<td>“personal expenses”</td>
<td>$11,824,431</td>
<td>.130</td>
<td>$1,537,176</td>
</tr>
<tr>
<td></td>
<td>“family expenses”</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>personal care services</td>
<td>“part-time care”</td>
<td>$4,804,848</td>
<td>.121</td>
<td>$581,387</td>
</tr>
<tr>
<td>nursing and residential care facilities</td>
<td>“adult daycare”</td>
<td>$2,329,290</td>
<td>.081</td>
<td>$188,672</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$18,958,569</td>
<td></td>
<td>$2,307,235</td>
</tr>
</tbody>
</table>

source for multipliers: HI DBEDT 2002

All told, then, the estimated $31.5 million caregiver tax credit is predicted to generate $37.4 million in total economic activity within the state. This economic activity will generate $2.3 million in state tax revenues that will offset the cost of the credit in the first place, bringing the predicted fiscal cost of the program to $29.2 million.

Labor Market Consequences

In a state with only about 2% unemployment, and a shortage of health care workers, labor market issues may be an important consideration, even for a modest caregiver tax credit. Hawaii has only 1,420 home health aides (Feinberg et al 2004). Unfortunately, the supply of the relatively less skilled personal care workers in Hawaii is unknown. As a result, it is difficult to properly estimate a supply curve for professional caregiving, for purposes of estimating the impact on the labor market. Intuitively, it seems logical that a positive boost to the incomes of people pushed to the limit of their ability to care for their parents will result in additional purchases of home care workers.

Based on the Hawaii Family Caregiver Needs Assessment Survey, it appears that substantial additional demand for professional care might result from a caregiver tax credit. Table 10 takes estimates of additional professional care predicted to be purchased by tax-credited caregivers (from Table 8) and puts it in the context of the overall labor market for personal care(from Table 6). Table 10 presents several alternative estimates of required growth in the labor market, depending on the wages for home care that would be paid (ranging from the minimum estimate in the published literature - $7.36/hr - to the maximum estimate - $14.68/hr).

Assuming the current workforce has no spare capacity (this may very well be true), the home care labor market in Hawaii might need to expand by as much as 12% to fill the increased demand induced by a caregiver tax credit. It is unclear whether to value this consequence as a benefit or a cost of the tax credit, but the shortage of labor in the near term is likely at the very least to limit the value of the tax credit caregivers are able to enjoy.
Table 10: Increased Demand for Professional Care, in Relation to Size of the Workforce

<table>
<thead>
<tr>
<th>current professional Home Care labor market (FTEs)</th>
<th>additional stimulus to the Home Care industry as a result of the Caregiver Tax Credit</th>
<th>new FTEs required to fill the demand</th>
<th>new FTEs as percent of the labor market</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,255</td>
<td>$7,134,138</td>
<td>505</td>
<td>11.9%</td>
</tr>
<tr>
<td>4,255</td>
<td>$7,134,138</td>
<td>386</td>
<td>9.1%</td>
</tr>
<tr>
<td>4,255</td>
<td>$7,134,138</td>
<td>253</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Note: new FTEs are assumed to work 1920 hours per year

Sources: estimates from Tables 6 and 8

Caregiving Consequences: Valued Services Purchased

Caregivers say they would use a portion of a tax credit to purchase professional personal care for their elderly relatives. A basic insight from economics points out that value of the services they will purchase is greater than its cost, and therein lies the possibility that the benefits of a tax credit outweigh its costs. To see this principle in action, consider a hypothetical scenario depicted in Figure 5.

Figure 5: Hypothetical Market Valuation

Virtually any demand curve has a negative slope, indicating that as the price of a service declines, consumers are willing to purchase additional amounts of the service. Conversely, the supply curve is positive, indicating that as the price of a service declines, suppliers are willing to sell less of their services. The market clearing point is where supply and demand curves coincide. That point indicates the price of the very next unit offered in the marketplace, beyond the quantity already sold, and at that point no additional consumers are willing to purchase it. Importantly, the height of the demand curve at each level of services sold might be thought of as
an indication of the price some consumers would have been willing to pay for the first, second, third hour of services, and so on.... In the depiction of Figure 5, the first hour of services purchased is valued by some consumer at about $19, while the 260th hour of services purchased is valued by a consumer at about $17.

The first hour of service in Figure 5 was worth $19 to some consumer, but the market dictates of supply and demand allowed that very same consumer to purchase that hour of service for only $17. We can call this a consumer surplus - the value to a consumer of the transaction over and above the price they paid. The triangular area indicated in green of Figure 5 defines the magnitude of the total consumer surplus across all consumers who purchased services. The total consumer surplus grows with the steepness of the demand curve for that service. When governments give away tax revenues, and those revenues are used to purchase goods or services that have steep demand curves, the government spending generates greater value than its cost.

These principles can be used to estimate the consumer surplus that would occur as a result of the additional professional care purchased by caregivers and made possible by a caregiver tax credit. The slope of the demand curve can be estimated from available reports of the price elasticity of demand for personal care services. The price elasticity of demand for home care services has been estimated as -.30 (Ringel et al. 2002) and -.36 (Meng and Dick 2006). The interpretation of these numbers is that a 1 percent increase in the price of professional home/personal care would lead to a 0.30 or 0.36 percent reduction in home care expenditures. But the price elasticity of demand can be used to estimate the slope of the demand curve for home care services, by noting that

\[
\text{price elasticity of demand} = \frac{\text{change in quantity demanded} \times \text{actual market price}}{\text{change in price} \times \text{actual market quantity sold}}
\]

\[
= \text{demand curve slope} \times \frac{\text{actual market price}}{\text{actual market quantity sold}}
\]

Substituting estimates for Hawaii home care, such as 2.3 hours per week of care purchased, at a wage of 10.26 per hour, we can rearrange to find that the estimated slope of the demand curve for home care services in Hawaii is -.081 (-.36*2.3/10.26). The lower and upper bounds for this slope magnitude can be found be substituting minimum and maximum estimates for elasticity and price, as in Table 11.

<table>
<thead>
<tr>
<th>price elasticity of demand for home care</th>
<th>hours of professional care currently purchased (per week)</th>
<th>hourly market price for professional care</th>
<th>demand curve slope</th>
</tr>
</thead>
<tbody>
<tr>
<td>-.30 (Ringel)</td>
<td>.67 (see Table 5)</td>
<td>$14.68</td>
<td>-.014 (minimum)</td>
</tr>
<tr>
<td>-.33 (average)</td>
<td>.67(see Table 5)</td>
<td>$9.63</td>
<td>-.023 (average)</td>
</tr>
<tr>
<td>-.36 (Meng)</td>
<td>.67 (see Table 5)</td>
<td>$7.36</td>
<td>-.033 (maximum)</td>
</tr>
</tbody>
</table>

9 Perhaps surprisingly, family caregivers who are juggling employment did not report intentions to spend significantly more on professional care than non-employed family caregivers (t=0.77, p=.22), so uniform estimates of professional care purchases are used for employed and non-employed caregivers, alike.
Table 12 calculates the total consumer surplus per caregiver that would result from additional professional care that caregivers say they would purchase with tax credits.

### Table 12: Consumer Surplus Estimates for Personal Care Purchases

<table>
<thead>
<tr>
<th>annual amount of money caregivers would spend on professional care</th>
<th>(amount per caregiver)</th>
<th>market price for professional care</th>
<th>average weekly professional care purchased (per caregiver)</th>
<th>demand curve slope</th>
<th>total consumer surplus (aggregated across all caregivers eligible for tax credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,134,138</td>
<td>$153.77</td>
<td>$14.68</td>
<td>12.1 minutes</td>
<td>-.014</td>
<td>$2,214.35 (minimum)</td>
</tr>
<tr>
<td>$7,134,138</td>
<td>$153.77</td>
<td>$9.63</td>
<td>18.4 minutes</td>
<td>-.023</td>
<td>$5,660.30 (average)</td>
</tr>
<tr>
<td>$7,134,138</td>
<td>$153.77</td>
<td>$7.36</td>
<td>24.1 minutes</td>
<td>-.033</td>
<td>$10,571.21 (maximum)</td>
</tr>
</tbody>
</table>

**NOTE:** caregiver spending on additional care based on Table 10 estimates and assumption of 46,394 caregivers eligible for the tax credit. Weekly hours purchased is calculated as spending divided by wage. Demand curve slopes are estimated in Table 11.

### Workplace Productivity Consequences

Johnson and Lo Sasso (2000) estimate simultaneous equation panel data models of annual hours of paid work and the provision of time assistance to parents for a sample of men and women ages 53 to 65 and find that after accounting for endogeneity, time spent helping parents significantly reduced labor supply for both women and men. The labor supply is reduced by about 460 hours per year if this sample spend 100 or more hours per year helping their parents, either with basic personal activities or with errands and chores. They conclude that the time devoted to the informal care of elderly parents may be incompatible with full-time paid employment at midlife.

In 2004 alone, the lost productivity to US businesses associated with informal caregiving is around $33.6 billion for full-time employed caregivers (Gibson and Houser, 2007, p5). The cost to the employers per full-time employed caregiver, meanwhile, averages $2,110.

If we were to assume that employee productivity costs resulting from caregiver responsibility are directly proportional to time spent caring for an elderly parent, then it is possible to estimate the improvement in worker productivity that would result from a state caregiver income tax credit. Recall that the Family Caregiver Needs Assessment Survey asked caregivers to allocate a hypothetical tax credit to, among other things, adult day care and formal professional home care (see Table 4). If an average caregiving employee “spent” the tax credit in the manner indicated by the survey, she might be free to reduce her own time commitment for caregiving by 18 minutes per week, on average - a 1.4% reduction. This could translate into a $29 reduction in annual employer-borne productivity costs per worker (1.4% of $2,110). Because 55.8% of Hawaii family caregivers are juggling their responsibilities along with a job, the tax credit that would go to these 25,888 Hawaii workers (55.8% x 46,394) could improve workplace productivity by $997,595, annually.
Table 13: Productivity Gains

<table>
<thead>
<tr>
<th>average annual caregiver productivity loss</th>
<th>average caregiver weekly time commitment</th>
<th>predicted weekly time purchased by caregivers who receive a tax credit</th>
<th>caregiver time commitment reduction</th>
<th>weekly caregiver productivity gains</th>
<th>total annual caregiver productivity gains (aggregated across all caregivers juggling full time employment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,110</td>
<td>22.0 hours</td>
<td>12.1 minutes</td>
<td>0.92%</td>
<td>$19.32</td>
<td>$500,156.69 (minimum)</td>
</tr>
<tr>
<td>$2,110</td>
<td>22.0 hours</td>
<td>18.4 minutes</td>
<td>1.40%</td>
<td>$29.45</td>
<td>$762,440.31 (average)</td>
</tr>
<tr>
<td>$2,110</td>
<td>22.0 hours</td>
<td>24.1 minutes</td>
<td>1.83%</td>
<td>$38.54</td>
<td>$997,595.13 (maximum)</td>
</tr>
</tbody>
</table>

Note: these calculations assume equal purchase of professional services for employed and non-employed caregivers alike. They also assume a linear relationship between caregiving time commitment and workplace productivity losses. Both assumptions are likely inaccurate, and both will tend to depress the estimated aggregate value of workplace productivity gains.

Consequences of Caregiver Tax Credits Left Outside the Scope of This Report

Public Perception Consequences

Silverstein and Parrott (2001) examine how much public support exists for public policies to assist in family caregiving and what factors influence public support for these policies. The policies include direct payments to family caregivers, tax credits for caregiving expenditures, and time off from work without pay. In general, the authors show that even after controlling for demographic factors, resources, values toward family responsibilities and political orientation, current caregivers more strongly support all three policies. Specifically, although only one-third of respondents agreed with the idea of paying caregivers, more than 70 percent supported tax credits and almost 60 percent supported time off to caregivers (Silverstein & Parrott 2001). Such a result indicates that tax credits, the least invasive of the three benefits evaluated, get the strongest support.

The Hawaii Family Caregiver Needs Assessment Survey also asked respondents about their attitudes towards a potential caregiver tax credit, and found that 94% of caregivers who offered an opinion agreed with the statement that “government should provide a state income tax credit or tax break for caregivers.” Across 192,390 caregivers, that is a level of political support that can’t be ignored. It should be remembered, however, that only about one in four Hawaii caregivers are eligible for the tax credit crafted in SB 1199 SD2, and sizeable portions of even the eligible caregivers could claim only a portion of the credit.

Poverty Consequences

The Hawaii Family Caregiver Needs Assessment Survey asked respondents about their household income, and those data are summarized in Table 14.
The poverty guideline in Hawaii is $15,180 for a 2-person household in 2006 (US DHHS 2006). For an explanation and more details, see http://aspe.hhs.gov.poverty/06poverty.shtml.

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Percent of Hawaii Caregivers</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>12.18%</td>
<td>12.18%</td>
</tr>
<tr>
<td>$20,000-$24,999</td>
<td>12.82%</td>
<td>25.00%</td>
</tr>
<tr>
<td>$25,000-$29,999</td>
<td>15.13%</td>
<td>40.13%</td>
</tr>
<tr>
<td>$30,000-$34,999</td>
<td>13.24%</td>
<td>53.36%</td>
</tr>
<tr>
<td>$35,000-$39,999</td>
<td>9.87%</td>
<td>63.24%</td>
</tr>
<tr>
<td>$40,000-$44,999</td>
<td>8.82%</td>
<td>72.06%</td>
</tr>
<tr>
<td>$45,000-$49,999</td>
<td>11.34%</td>
<td>83.40%</td>
</tr>
<tr>
<td>$50,000-$59,999</td>
<td>6.93%</td>
<td>90.34%</td>
</tr>
<tr>
<td>$60,000-$69,999</td>
<td>2.31%</td>
<td>92.65%</td>
</tr>
<tr>
<td>$70,000-$79,999</td>
<td>2.10%</td>
<td>94.75%</td>
</tr>
<tr>
<td>$80,000-$89,999</td>
<td>1.26%</td>
<td>96.01%</td>
</tr>
<tr>
<td>$90,000-$99,999</td>
<td>1.47%</td>
<td>97.48%</td>
</tr>
<tr>
<td>$100,000-$119,999</td>
<td>0.84%</td>
<td>98.32%</td>
</tr>
<tr>
<td>$120,000-$149,999</td>
<td>0.21%</td>
<td>98.53%</td>
</tr>
<tr>
<td>$150,000 and over</td>
<td>1.47%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>


note: for generality, the percentages reported here exclude the 18% of survey respondents who either did not know or preferred not to report their household income.

Surveys are difficult instruments with which to gather accurate and useful information about poverty. The Hawaii Family Caregiver Needs Assessment Survey asked respondents about their “household income”, in some broad income categories, but was not able to solicit information about important details of a caregiver’s financial situation, such as Adjusted Gross Income, dependents, medical expenses, and the like. Indeed, the income categories offered to respondents were probably insufficient to make any valid assessments of how many caregivers are living at or near the official HHS Poverty Guideline. Research on this issue is ongoing.

Caregiving Consequences: Continuation or Discontinuation of Caregiving

Keefe and Fancey (1998, p82) raise the question of whether financial compensation to caregivers makes a difference in the initiation or continuation of caregiving. A tax incentive might encourage families to engage or continue in informal caregiving, as a substitute for assisted living or nursing home care. The additional provision of caregiving services by family members could even ease the shortage of elder care workers (Goldberg, 2007, p11). To date, no clear answer to that important question has been provided in the empirical literature. But between direct and indirect expenses, family caregivers bear a financial burden for their role in the tens of thousands of dollars per year, on average, so a $500 or $1000 credit seems unlikely to offset those costs enough to change the caregiving calculus for families. As Figure 5 illustrates, when the Hawaii Caregiver Needs Assessment Survey asked caregivers how much financial support they would need in order to “improve your financial situation and state of mind”, they

\[\text{source: Hawaii Family Caregiver Needs Assessment Survey, 2007}\]

\[\text{note: for generality, the percentages reported here exclude the 18% of survey respondents who either did not know or preferred not to report their household income.}\]

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\[\text{Keefe and Fancey (1998, p82) raise the question of whether financial compensation to caregivers makes a difference in the initiation or continuation of caregiving. A tax incentive might encourage families to engage or continue in informal caregiving, as a substitute for assisted living or nursing home care. The additional provision of caregiving services by family members could even ease the shortage of elder care workers (Goldberg, 2007, p11). To date, no clear answer to that important question has been provided in the empirical literature. But between direct and indirect expenses, family caregivers bear a financial burden for their role in the tens of thousands of dollars per year, on average, so a $500 or $1000 credit seems unlikely to offset those costs enough to change the caregiving calculus for families. As Figure 5 illustrates, when the Hawaii Caregiver Needs Assessment Survey asked caregivers how much financial support they would need in order to “improve your financial situation and state of mind”, they}\]

\[\text{10 The poverty guideline in Hawaii is $15,180 for a 2-person household in 2006 (US DHHS 2006). For an explanation and more details, see http://aspe.hhs.gov.poverty/06poverty.shtml.}\]
responded with a figure far in excess of anything that has been contemplated in any democracy on earth ($5,631, on average).

Ultimately, assertions about what might lead a potential caregiver to initiate a caregiving role or what level of burden leads a caregiver to discontinue caregiving probably requires detailed and carefully crafted evidence from non-caregivers (something that is not currently available).

Health Consequences

The report by Mack (2005) provides an overview of the physical, emotional, financial and social experiences of primary family caregivers. In that report, emotional strain is more common than physical strain among primary caregivers with some 16 percent of caregivers report that they feel emotionally strained and 26 percent report that taking care of the care recipient is hard on them emotionally. Emotional strain includes caregivers feeling angry, frustrated, drained, guilty or helpless. It could also include feeling a loss of self identity, lower levels of self esteem, depression, constant worry or feeling of uncertainty. In contrast, one-tenth of these primary caregivers report that they are physically strained while about 11 percent, i.e. one in ten caregivers, report that caregiving has caused their physical health to get worse.

Given that the majority of caregivers are women (NAC/AARP 2004), there is contention that caregiving has different impacts on women. As such, there are studies particularly focusing on this aspect. The majority of all primary family caregivers are women, accounting for around 64 percent (Mack & Thompson 2005). Of family caregivers who report that providing care is
stressful, four out of five are women (Mack 2005). Women constitute three-fourths of the caregivers who report feeling 'very strained' physically, emotionally, or financially (Mack 2005).

Depression for caregivers has also been noted as a common malady for over-extended caregivers (Schulz et al. 1995; Cohen et al. 1990). People with depression have been shown to incur two to four times as much health care expenses as those with no depression (Goff 2002).

Depression depletes a caregiver’s resources, and therefore increases direct caregiving care costs by requiring the caregiver to turn to formal professional help earlier (Gray 2003). Several scholars have noted that a high level emotional stress on the part of caregivers is a significant predictor of nursing home admission (Mendelson 2000; Spillman & Long 2007), so psychological benefits of a caregiver tax credit may have secondary value in avoiding (costly) nursing home admissions. Because nursing home care is so expensive, caregivers who are driven to enroll their elders in nursing homes are very quickly at risk for “spending down” assets and initiating Medicaid claims.

The Hawaii Family Caregiver Needs Assessment Survey asked respondents to indicate a level of tax benefit that would “improve your financial situation and state of mind”. But estimating the impact that a small income supplement might have on caregiver depression is both a difficult undertaking and one with limited potential of demonstrating a relationship at all. After all, as indicated in Figure 5, respondents to the Hawaii Caregiver Needs Assessment Survey indicated that they would need a tax credit far in excess of the tax credit contemplated in SB 1199 SD2.

Cost-Benefit Analysis

The results of the input/output analysis in the previous section should not be confused with a proper cost/benefit analysis. In almost any instance, an input/output analysis will indicate that each dollar of government spending generates many more total dollars of economic activity, in the form of “ripples” in the economy.

But to compare $29.2 million disbursed to $37.4 million generated, and conclude that the benefits outweigh the costs is unwarranted. The missing consideration is that the government could have reduced overall taxpayer burdens, or chosen an alternative target for spending. Such policy choices would have generated their own ripple effects in the economy, that must be considered in comparison to the estimated ripples from the tax credit. Generally speaking, net benefits (that is, after subtracting opportunity costs) are unlikely to be positive unless the economic activities stimulated by the tax credit are more productive than most likely alternative use of the income.

A tax credit for individuals is a simple concentration of funds from the whole economy onto a specific population segment, assuming the tax credit is paid for with general revenues. In purely economic terms, the cost-benefit balance is straightforward: how would the recipients spend the money, as compared with the spending of the rest of the population? If the credit is redirecting taxpayer income to a sub-population that will spend the money in especially productive ways, then the benefits are likely to outweigh the costs. If the sub-population would spend the money in ways that are essentially the same as, or less productive than the rest of the population, then the costs of the tax credit are likely to outweigh the benefits.

The administrative costs for a tax credit on individual income taxes is similarly simple to consider, because no growth in the number of income tax returns is anticipated as a consequence
of the tax credit. Business tax credits, by contrast, are intended to expand the size of the economy, so that adequate policing of the tax credit will require growth in the raw number of audits. The increase in audits would need to be calculated as a cost of the tax credit.

As the fiscal consequences section makes clear, there is not much evidence that the spending targets anticipated by caregivers who receive a tax credit are noticeably more productive than the spending targets of the rest of the population. Table 8 makes clear that virtually all the spending targets of caregivers have the same multiplier: 1.97. That multiplier value so happens to be the same one would use to calculate the economic ripples of leaving the $31.5 million in the pockets of the general Hawaii taxpayer.

Only two obvious distinctions between spending by caregivers and the rest of the population present themselves:

- caregivers report that they would save a significant portion (39.9%) of the credit.
- caregivers report that they would spend a significant portion of the credit (22.6%) in the personal care industry.

Caregiver Saving

Even though the standard input-output analysis treats personal and retirement saving as “leakage” of a tax credit, it is possible to think about this consequence of a caregiver tax credit as focusing government revenues on especially productive targets. The initial revenue loss estimate in Table 7, together with the reported savings intentions of caregivers in Table 4 suggest that a $1000 Hawaii Caregiver Tax Credit would transfer $12.6 million to the personal and retirement savings accounts of family caregivers. Now, caregivers who save for retirement might be able to earn returns of 9% or more, with aggressive investment portfolios. But Table 4 makes it clear that caregivers report most of what they saved would be in the form of short-term personal savings, which typically generate abysmal financial returns and fail to accumulate as rapidly as tax-advantaged retirement savings.

It may be that caregivers value the potential supplement to their savings accounts in psychological terms that ought not be ignored as “leakage”. For example, the additional savings predicted to result from a caregiver tax credit might satisfy a bit of caregiver’s precautionary motives, over and above the actual dollar amount of the extra savings. The high ratio of personal to retirement savings reported by family caregivers in Table 4 is consistent with economic research that financial saving behavior is rooted in a “precautionary motive” that typically considers only a short time horizon - less than 5 years (Carroll 1997; Kazarosian 1997). But an explicit valuation of that psychological benefit has not been attempted by scholars, and there remains debate in the scholarly community about whether people value supplements to their income over and above the simple dollar value of the increase, anyway.

Caregiver savings intentions might seem to contrast in a very positive way with savings behavior by U.S. consumers, generally. Caregivers report that they would save about 40% of a caregiver tax credit, while the official national U.S. saving rate was actually a negative 0.5% in 2006. But the disparity between caregiver and general population savings is is probably a false or at least uninformative contrast, for two reasons. First, we have no information from non-caregivers about what savings intentions they would report in a survey. Second, as scholars of savings behavior and macroeconomic policy observers well know, the official U.S. savings statistic is egregiously flawed. It ignores the accumulated appreciation on housing or any other investment, and thus misses a huge component of individual wealth accumulation in the U.S.

In an environment where the official U.S. statistics on savings are seriously flawed, and
in the absence of more specific knowledge about the likely spending targets of caregiver savings in the future, or more specific knowledge about rates of return on savings earned by caregivers or non-caregivers, this potentially important policy consequence is difficult to carefully examine within a defensible cost-benefit framework. The analysis here adopts the neutral principle that economic ripples generated by the tax credit (between initial spending and eventual spending of savings) would offset the lost economic ripples generated by the tax increase necessary to pay for it. Instead, the analysis focuses on the clear aspects of positive net benefits: the value of additional professional home care purchased by family caregivers with money handed to them in the form of the family caregiver tax credit.

**Professional Home Care Purchases**

As Tables 4, 8, and 10 make clear, caregivers report that they would spend a substantial portion of a caregiver tax credit on personal and home care services. This will necessitate a substantial growth in that labor market. It is certainly reasonable to consider the downsides of a stimulus to the already overburdened home, nursing, and residential care industries.

But two potential upsides to predicted purchases of professional home care services exist. First, caregivers may value the services they purchase over and above their actual cost. However, the analysis for Tables 11 and 12 demonstrates that the consumer benefit of those services is virtually nill - primarily because the demand curve slope is nearly flat in almost every form of estimation. In layman’s terms, purchase of home care services is price-insensitive, so caregivers experience very little additional psychological benefits beyond the actual value of the economic transaction. This phenomenon is clearly one reason why current caregivers purchase such a very small amount of personal and home care for their caregiving recipients - they consider such services too expensive. On the other hand, it calls into question the veracity of their reported spending intentions for a caregiver tax credit.

A second important upside of predicted purchases of professional home care services is that home care services buy time for caregivers - time for errands, time for socializing, and time for work. Previous studies have documented a substantial cost of caregiving borne by employers ($2,110 per FTE annually, for those who are juggling full time work and caregiving). The estimates in Table 13 suggest that those costs can be decreased by 1 or 2%. That is only between $20 and $35 per caregiver, but aggregated across 25,888 family caregivers who juggle a job alongside their caregiving responsibilities, it provides an additional benefit of between $500,000 and $1 million, annually.

Table 15 attempts to systematically attach economic cost and benefit valuations to the consequences estimated throughout this report. Taken together, and given the exceedingly modest net benefits identified in this report, it is very reasonable to ask the question: is it worth it? On balance, the benefits of a refundable caregiver tax credit, as specified in SB 1199 SD2 exceed the costs - but only by about $768 thousand, annually.
## Table 15: Hawaii Costs and Benefits of a Caregiver Tax Credit

<table>
<thead>
<tr>
<th>Costs</th>
<th>Estimated Consequences</th>
<th>Net Benefits (benefits minus opportunity cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$37.4 million foregone economic activity</td>
<td>initial income tax revenue loss to state (Table 7: $31.5 million revenue cost)</td>
<td>$37.4 million economic stimulus</td>
</tr>
<tr>
<td></td>
<td>(Table 9: $2.3 million state tax revenue recouped)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>savings supplement for caregivers (Table 8: $12.6 million)</td>
<td>0 net benefits</td>
</tr>
<tr>
<td></td>
<td>increased demand for professional home care (Table 11: 9% increase of the workforce necessary)</td>
<td>potentially a negative benefit</td>
</tr>
<tr>
<td></td>
<td>increased purchase of professional home care (Table 12: $7.1 million)</td>
<td>$5,660.30</td>
</tr>
<tr>
<td></td>
<td>workplace productivity gains (Table 13: 1.40%)</td>
<td>$762,440.31</td>
</tr>
<tr>
<td>$37.4 million</td>
<td>TOTAL</td>
<td>$38.2 million</td>
</tr>
</tbody>
</table>
References


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Alliance, September.


Appendix A

Hawaii Family Caregiver Needs Assessment Survey

Key Items

CG9. Thinking now of all the kinds of help you provide for your [caregiving recipient], about how many hours do you spend, in an average week, doing these things? [NOT INCLUDING HOURS OF SLEEP]

__________ hours/week

CG14. Do you feel that your [caregiver recipient] receives enough assistance from paid service providers? Would you say that it is

Not enough
About the right amount
Too much
Don’t Know
Refused

CG18. [ASKED BOTH CAREGIVER AND CARE RECIPIENT] Now I would like to know if there are reasons you have not received more outside help caring for your [caregiver recipient]. I am going to read a list of different reasons and I would like you to let me know whether or not each reason applies to you.

... Services cost too much.

Yes
No
Don’t Know/Refused

CG22 On a scale from 1 to 5, where 1 is no hardship at all and 5 is a great deal of hardship, how much of a financial hardship would you say that caring for your [caregiver recipient] is for you?

1 2 3 4 5  Don’t Know  Refused

CG27 [ASKED CAREGIVER AND CARE RECIPIENT] Which of the following services should government provide to assist you?

... Provide a state income tax credit or tax break for caregivers

Yes
No
Don’t Know/Refused
CG28  Roughly, how much money does it cost you each year to care for your [caregiver recipient], including time off work and extra expenses?

- Less than $1,999
- $2,000-$4,999
- $5,000-$9,999
- $10,000-$49,000
- $50,000 and over
- Don’t Know
- Refused

CG29  Within the past year, has your caregiving responsibilities led you to do any of the following (record all that apply)

- Limited you ability to cover your child(ren)’s tuition (any level of school)
- Moved to a bigger house
- Move to a more affordable house
- Sold home and now renting
- Sought professional counseling
- None of the above
- Don’t know/Refused

CG30  If caregivers were to receive some form of a tax break or tax credit from the state of Hawaii at the end of the year, how much do you think the credit or tax break would need to be, to improve your financial situation and state of mind?

- At least $499
- $500-$999
- $1,000-$1,999
- $2,000-$2,999
- $3,000-$4,999
- $5,000-$7,499
- $7,500-$9,999
- $10,000-$14,999
- $15,000-$19,999
- $20,000 and over (specify)
- Don’t Know
- Refused

CG31  [IF RESPONDED POSITIVELY TO CG30] If you received an additional $1,000 [ROTATED WITH $500] when you filed your taxes next year, how do you think you would use the money?

- Spend on personal expenses
- Deposit in my savings for a “rainy day”
- Invest in my retirement
Spend on my family
Hire a part-time person to help care for my [caregiving recipient]
Enroll my [caregiving recipient] in adult day care
Other (specify)
Don’t Know/Refused

CG31b You said that if you had an additional $1000 [or $500, MATCH TO CG31], you would spend it on [answers from CG31]. Please tell me how much you would spend on each item.

Spend on personal expenses
Deposit in my savings for a “rainy day”
Invest in my retirement
Spend on my family
Hire a part-time person to help care for my [caregiving recipient]
Enroll my [caregiving recipient] in adult day care
Other (specify)
Don’t Know/Refused

CG40. And what was your approximate household income from all sources for 2006? Would you say:

Less than $20,000
$20,000-$24,999
$25,000-$29,999
$30,000-$34,999
$35,000-$39,999
$40,000-$44,999
$45,000-$49,999
$50,000-$59,999
$60,000-$69,999
$70,000-$79,999
$80,000-$89,999
$90,000-$99,999
$100,000-$119,999
$120,000-$149,999
$150,000 and over
Don’t Know
Refused
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. Chapter 235, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§235- Caregiver tax credit. (a) There shall be allowed a caregiver tax credit to each eligible taxpayer subject to the tax imposed by this chapter who is not claimed and is not otherwise eligible to be claimed as a dependent by another taxpayer for federal or Hawaii state individual income tax purposes, and who files an individual net income tax return for a taxable year.

(b) The caregiver tax credit shall not exceed $1,000, based on the following schedule; provided that a husband and wife filing separate tax returns for a taxable year for which a joint return could have been filed by them shall claim only the tax credit to which they would have been entitled had a joint return been filed:

TAX CREDIT SCHEDULE
<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>Tax Credit Percentage</th>
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<tbody>
<tr>
<td>Under $30,000</td>
<td>100%</td>
</tr>
<tr>
<td>$30,000 to under $50,000</td>
<td>70%</td>
</tr>
<tr>
<td>$50,000 to under $75,000</td>
<td>40%</td>
</tr>
<tr>
<td>$75,000 and over</td>
<td>10%</td>
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</table>

(c) An eligible taxpayer may claim the tax credit for every taxable year or part thereof that the eligible taxpayer provides care to a care recipient. Only one caregiver per household may claim a tax credit for any care recipient cared for in a taxable year. An eligible taxpayer shall not claim multiple tax credits under this section in a taxable year, regardless of the number of care recipients receiving care from the eligible taxpayer.

(d) An eligible taxpayer shall certify to the department that the taxpayer is in compliance with all applicable federal, state, and county statutes, rules, and regulations.

(e) If the tax credit claimed by the taxpayer under this section exceeds the amount of income tax payments due from the taxpayer, the excess of credit over payments due shall be refunded to the taxpayer; provided that the tax credit properly claimed by a taxpayer who has no income tax liability shall be paid to the taxpayer; and provided that no refunds or payments
on account of the tax credit allowed by this section shall be made for amounts less than $1.

(f) Every claim, including amended claims, for the tax credit under this section shall be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to meet the filing requirements of this subsection shall constitute a waiver of the right to claim the tax credit.

(g) The director of taxation shall prepare any forms that may be necessary to claim a tax credit under this section, may require proof of the claim for the tax credit, and may adopt rules pursuant to chapter 91.

(h) The department shall report to the legislature annually, no later than twenty days prior to the convening of each regular session, on the number of taxpayers claiming the tax credit and the total cost of the tax credit to the State during the past year.

(i) The department shall assist the executive office on aging in providing information on caregiver services to each taxpayer who claims the tax credit.

(j) As used in this section:
"Eligible taxpayer" means a caregiver who cares for a qualified care recipient.

"Qualified care recipient" means a person who is sixty years of age or older, a citizen or resident alien of the United States, and a relative of the caregiver who:

1. Has co-resided with the caregiver at least six months of the taxable year for which the credit is claimed; or

2. Has received more than fifty per cent of the qualified care recipient's financial support during the taxable year from the caregiver; and

3. Is certified by a physician licensed under chapter 453 or 460, or an advanced practice registered nurse licensed under chapter 457, as requiring one of the following:

   (A) Substantial supervision to protect the qualified care recipient from threat to health or safety due to cognitive impairment; or

   (B) Substantial assistance to perform at least two of the following activities of daily living:

      (i) Bathing;

      (ii) Eating;
(iii) Using the toilet;

(iv) Dressing; or

(v) Transferring, such as from bed to

wheelchair.

"Relative" means a spouse, child, parent, sibling, legal
guardian, a reciprocal beneficiary as that term is defined in
section 572C-3, or any other person who is related by blood,
marriage, or adoption."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050,
shall apply to taxable years beginning after December 31,
and shall be repealed on December 31.
Report Title:
Caregivers; Tax Credit

Description:
Provides a tax credit to taxpayer caregivers who care for qualified care recipients. (SD2)
Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.E. No. 1199, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to establish a tax credit for taxpayer caregivers who care for qualified care recipients.

Testimony in support of this measure was received from the Policy Advisory Board for Elder Affairs, Hawaii Aging Advocates Coalition, and one individual. The Department of Taxation and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that by 2020, the elderly and disabled population of Hawaii will constitute over one-fourth of the State's adult population. It is critical that policies are enacted to ease the burden for both the aging and their families.

Your Committee has received a revenue impact statement from the Department of Taxation (Department) that the impact is indeterminate because the tax credit is unspecified. However, in subsequent statement the Department projected a revenue loss of $35,600,000 for fiscal year 2008 to fiscal year 2010, assuming the tax credit base of $1,000.

In its methodology, the Department stated that a 2003 Hawaii Health Survey estimated there are 192,390 caregivers who provide regular care or assistance to those aged sixty years old or older.
About twenty per cent of caregivers (38,478 caregivers) live in the same household with their elderly care recipients. Among caregivers and elderly living in the same household, seventy-two per cent of caregivers (27,704 caregivers) are related to the elderly. The methodology assumed all 27,704 caregivers qualify for the credit and each caregiver provides care to one elderly relative, and that there is only one caregiver per household. The methodology also assumed ten per cent of caregivers (19,239 caregivers) provide more than fifty per cent of financial support, but not live in the same household with the elderly.

While the specifics of this measure must still be resolved, your Committee believes it is an important first step in easing some of the financial burden of Hawaii's caregivers. It is the intent of your Committee to continue deliberation on this matter.

Your Committee has amended this measure by:

(1) Capping the tax credit at $1,000; and

(2) Inserting an effective date of July 1, 2050, for the purposes of further discussion.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1199, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 1199, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Economic Development and Taxation,

CAROL FUKUNAGA, Chair
A BILL FOR AN ACT

RELATING TO CAREGIVING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

FINDINGS AND PURPOSE

SECTION 1. The legislature finds that, due to a shortage of care providers in Hawaii, family caregiving has become a critical element of our health and long-term care system. By 2020, more than one in four individuals is expected to be sixty years old or older. The need for personal care assistance due to physical, sensory, cognitive, and self-care disabilities increases with age. As Hawaii's population ages, many more families will be providing higher levels of long-term care to frail and disabled older adults at home.

A comprehensive public policy to strengthen support for family caregivers is essential. The joint legislative committee on family caregiving was established under Act 285, Session Laws of Hawaii 2006, to develop a comprehensive public policy to strengthen support for family caregivers in Hawaii.

The committee held numerous meetings during the fall of 2006 and submitted a special committee report to the legislature.
outlining its proposal for the establishment of a comprehensive and sustainable, community-based family caregiver support system that will maximize resources in all communities. However, it is still necessary to gather more information on this subject to enable the State to apply resources and services in a more efficacious manner. The committee should be extended to enable it to continue work on its proposal for the establishment of a comprehensive and sustainable, community-based family caregiver support system.

Numerous testifiers appeared before the committee on behalf of grandparents in support of recognizing their role as family caregivers for their grandchildren. According to the United States Census Bureau, between 1990 and 2000, there was an over thirty per cent increase in the number of children under age eighteen living in grandparent-headed households in Hawaii. Of the 14,029 grandparents in Hawaii who report that they are responsible for their resident grandchildren, over one-fifth also report that the children's parents are not present in the household.

The national family caregiver support program under the reauthorized Older Americans Act includes grandparents of grandchildren age eighteen years and younger or nineteen years
of age or older with physical or cognitive limitations.
Grandparents who are caregivers experience similar support needs
and caregiving costs as do family caregivers who provide unpaid,
informal assistance to older adults with physical or cognitive
disabilities. Custodial grandparenting has emotional, physical,
and financial costs. Custodial grandparents report more
anxiety, depression, and physical health problems than their
non-caregiving peers, and they need accurate and accessible
information on a myriad of issues.

A crucial element in the design and implementation of a
comprehensive and sustainable, community-based family caregiver
support system is an assessment of the needs of family
caregivers and the care recipients. A thorough needs assessment
is imperative to appropriately encourage, support, and
strengthen the provision of family caregiving.

The delivery of long term care in Hawaii and, indeed,
throughout the United States is fragmented and uncoordinated.
As a result, frail and disabled persons of all ages have
difficulty in getting information about existing services, and
in obtaining appropriate assistance. In 2005, Hawaii received a
federal grant to develop an aging and disability resource center
program. This program is designed to help family caregivers and
older and disabled adults find the information they need regarding available options for care. To date, an aging and disability resource center is under development in the county of Hawaii, and a "virtual" site is planned for the city and county of Honolulu. Additional funds are needed to fully develop this program.

Family caregivers who provide care to recipients with chronic or disabling conditions are themselves at risk for physical, emotional, and financial problems. The daily challenges and health risks that family caregivers face can impede the family caregiver's ability to provide care, lead to higher health care costs, and affect the family caregiver's quality of life and the quality of life of the care recipient.

For many family caregivers, their role as family caregiver arises as suddenly as the care recipient's health declines, leaving family caregivers with an immediate need for services, but little preparation or education regarding who to contact for assistance or what services are available to them. In addition, the family caregivers may not know who is capable or qualified to provide them with the services that they or the care recipients need. Family caregivers themselves need support services, including respite services and training, education,
and counseling in areas such as caregiving and dealing with end-of-life issues.

Kupuna care is a statewide long-term care program, administered by the executive office on aging, which was developed in partnership with the county area agencies on aging to address the growing numbers of elders with long-term care needs. Services provided by kupuna care are intended to help meet the needs of older adults who cannot live at home without adequate help from family or formal caregiving services, and include services such as adult day care, respite care, assisted transportation, attendant care, case management, chore, home delivered meals, homemaker, transportation, and personal care.

In addition to the services provided to the elderly, direct services to family caregivers can be provided to educate and assist family caregivers in coping with their roles as a caregiver.

Under Act 262, Session Laws of Hawaii 2006, the executive office on aging is required to coordinate a statewide system of caregiver support services. An appropriation should be made to assist the executive office on aging’s caregiver’s resource initiative project to enable it to continue its efforts in that regard.
A number of approaches have been suggested as a means to help family caregivers with the financial costs of family caregiving, including a cash and counseling program and a family caregiver refundable tax credit. However, more research and analyses of these different approaches are necessary to ensure that the State applies its resources and services toward helping family caregivers in the most efficacious manner.

The purpose of this Act is to strengthen support of family caregiving by:

(1) Extending the life of the joint legislative committee on family caregiving;

(2) Authorizing the joint legislative committee to explore establishing a paid family leave program under the state temporary disability insurance law;

(3) Providing a broader definition of "family caregiver" by including grandparents who are caregivers for grandchildren who are age eighteen years or younger or nineteen years of age or older with physical or cognitive limitations;

(4) Requiring the joint legislative committee on caregiving to conduct a comprehensive assessment of the needs of care recipients who are age sixty and
older with physical or cognitive disabilities, and the
needs of their family caregivers;

(5) Appropriating funds to supplement development of the
aging and disability resource center program;

(6) Appropriating funds to expand the kupuna care
program's in-home and access services for qualified
care recipients;

(7) Appropriating funds to provide direct services to
family caregivers;

PART II

JOINT LEGISLATIVE COMMITTEE ON FAMILY CAREGIVING

SECTION 2. Act 285, Session Laws of Hawaii 2006, is
amended by amending section 2 to read as follows:

"SECTION 2. (a) There is established a joint legislative
committee on family caregiving. The committee shall be composed
of eight members as follows:

(1) Four members of the house of representatives,
consisting of three members from the majority party
and one member from the minority party, who shall be
appointed by the speaker of the house of

representatives; and
(2) Four members of the senate, consisting of three members from the majority party and one member from the minority party, who shall be appointed by the president of the senate.

The committee shall select a chairperson from its membership.

(b) The joint legislative committee shall develop comprehensive public policy to strengthen support for family caregivers [who provide unpaid, informal assistance to persons age sixty and older with physical or cognitive disabilities].

For purposes of this Act, "family caregiver" means:

(1) A person, including a non-relative such as a friend or neighbor, who provides unpaid, informal assistance to a person age sixty and older with physical or cognitive disabilities; and

(2) A grandparent who is a caregiver for a grandchild who is age eighteen years or younger, or who is nineteen years of age or older with physical or cognitive limitations.

(c) The joint legislative committee shall [consider]:

(1) Consider providing support in categories including
(A) Coordinated services and policies;
(B) Training and education;
(C) Respite services;
(D) Financial incentives; and
(E) Balancing work and caregiving[.]; and
(2) Explore establishing a paid family leave program under
the state temporary disability insurance law, similar
to the California Paid Family Leave Program, to
provide wage replacement benefits to employees who
take time off from work to care for a seriously ill
family member.
(d) The joint legislative committee shall seek input from
the department of health, the department of human services, the
department of taxation, the University of Hawaii, the executive
office on aging, and the elderly, disability, business, and
faith-based communities.
(e) The joint legislative committee shall submit its
findings and recommendations to the legislature no later than
twenty days prior to the convening of the regular [session]
sessions of 2007[. and 2008.
(f) The joint legislative committee shall cease to exist
on June 30, 2007.] June 30, 2008."
PART III

NEEDS ASSESSMENT OF FAMILY CAREGIVERS

SECTION 3. (a) The joint legislative committee on family caregiving shall conduct a comprehensive assessment of the needs of care recipients who are age sixty years and older with physical or cognitive disabilities and the needs of their family caregivers. The needs assessment should include an evaluation of:

(1) The extent of the unmet caregiving needs of persons age sixty years and older with physical or cognitive disabilities;

(2) The size of the current family caregiver population;

(3) The percentage of care recipients' needs being met by paid versus unpaid caregivers; and

(4) The impact of caregiving on family caregivers' employment and income.

(b) In conducting the needs assessment, the joint legislative committee on family caregiving shall identify and review past surveys, such as the 2003 Hawaii Health Survey, include focus groups, and develop policy questions to guide the focus of the needs assessment.
(c) In conducting the needs assessment, the joint legislative committee on family caregiving may utilize telephone surveys or other methods of gathering reliable data regarding care recipients' needs and the needs of their family caregivers, including purchasing additional questions for the upcoming Hawaii Health Survey.

(d) The joint legislative committee on family caregiving shall incorporate the completed needs assessment into the joint legislative committee report to the legislature.

(e) For purposes of this section, "family caregiver" means a person, including a non-relative such as a friend or neighbor, who provides unpaid, informal assistance to a person age sixty and older with physical or cognitive disabilities.

SECTION 4. The joint legislative committee on family caregiving shall submit a report, including the completed needs assessment pursuant to section 3 and any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2008.

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of $120,000 or so much thereof as may be necessary for fiscal year 2007-2008 for the joint legislative committee on family caregiving, which may
contract with a qualified consultant, to conduct a comprehensive
needs assessment of family caregivers pursuant to section 3. A
contract executed pursuant to this section and section 3 shall
be exempt from chapter 103D, Hawaii Revised Statutes; provided
that the joint legislative committee shall endeavor to ensure
transparency in the letting of the contract. The sum
appropriated shall be allotted as follows:

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<tbody>
<tr>
<td>Senate</td>
<td>$60,000</td>
</tr>
<tr>
<td>House of reps.</td>
<td>$60,000</td>
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</table>

The sum appropriated shall be expended by the senate and
the house of representatives to assist the joint legislative
committee on family caregiving for the purposes of this part.

PART IV

NEEDS ASSESSMENT OF GRANDPARENTS RAISING GRANDCHILDREN

SECTION 6. The executive office on aging, or its
consultant, shall conduct an assessment of the issues facing,
and the needs of grandparents raising grandchildren in Hawaii.
The executive office on aging shall submit a report, including
the completed needs assessment and any proposed legislation, to
the joint legislative committee on family caregiving by November

PART V
AGING AND DISABILITY RESOURCE CENTER

SECTION 7. The delivery of long term care in Hawaii has characteristically been uncoordinated, making it difficult for consumers to obtain information about long term care options and services. Much of this has to do with the fact that different programs have their own eligibility requirements, funding mandates, care benefits, provider participation regulations, administrative structure, and service delivery mechanisms. Consequently, it is difficult to coordinate a comprehensive continuum of long term care (ranging from nursing homes to home- and community-based services) for the elderly and the disabled.

In 2005, Hawaii was selected to receive a grant from the United States Department of Health and Human Services to develop an aging and disability resource center program. The grant is intended to help Hawaii develop "one-stop shop" programs at the community level that can serve as the entry point to the long term services and support system. The vision is to have resource centers in every community serving as highly visible and trusted places where people can turn for information on the full range of long term care support options, and with a streamlined process for screening, intake, assessment, and eligibility determination. Long term care support refers to a
wide range of in-home, community-based, and institutional
services and programs that are designed to help individuals with
disabilities.

The executive office on aging, in partnership with the
Hawaii county office of aging and the city and county of
Honolulu elderly affairs division, is already developing an
aging and disability resource center in Hawaii county. The
three-year project commenced in October, 2005, and is due for
completion by September, 2008. A second resource center is
planned for the city and county of Honolulu. A state advisory
board has already been established to provide public input and
feedback on the project development and to develop a statewide
access plan for future replication. Each project will also have
its own steering committee or advisory board at the county level
to assist in the specific site development.

The Hawaii county project received additional funding from
the Hawaii county council, with support from the Hawaii county
mayor, to enable the project to lease the former Sun Sun Lau
Chinese Restaurant in Hilo as the physical site. Renovations
are currently underway at the Hilo site with a target completion
date of late 2007. The Hawaii county office of aging will co-
locate in this centralized facility with other aging and
disability services and providers, including the department of
human services' programs and the Legal Aid Society.
The city and county of Honolulu project will initially be a
virtual site. It will build upon the city and county of
Honolulu elderly affairs division's current senior hotline
telephone information and assistance program and will develop a
comprehensive resource website. The overall goal is to
eventually establish aging and disability resource center sites
in all of the counties to provide statewide access.

The legislature finds that the aging and disability
resource center program will improve access to long term care
information and options for family caregivers, the elderly, and
the disabled by facilitating their search for needed services.

The purpose of this part is to support the aging and
disability resource center program by appropriating funds to
supplement its development. The funds shall be used to:

(1) Contract with a management information consultant to:

(A) Identify management information system needs;

(B) Assist with vendor selection;

(C) Ensure compliance with management information
system requirements;
(D) Provide resources and technical assistance for project evaluation, intake, and database development;

(E) Troubleshoot technical problems; and

(F) Assist with systems integration;

(2) Purchase additional management information system products, including software licensing, server clusters, installation, staff training, computer hardware, and technical support;

(3) Install a statewide toll-free telephone system for the public to contact the aging and disability resource center sites. This includes the installation of the single server number, telephone equipment, cable lines, phone system upgrades, and special equipment for the blind and deaf consumers;

(4) Coordinate and implement consumer education and outreach campaigns, including outreach coordination, the production and printing of brochures and posters, media ads, presentations and exhibits at senior and disability events or focal centers, bilingual translation, and other promotional activities that
1 will educate the consumers and general public about
2 aging and disability resource center services;
3 (5) Continue the coordination and implementation of the
4 Hawaii county site;
5 (6) Continue the coordination and implementation of the
6 city and county of Honolulu site;
7 (7) Continue the state-level coordination and evaluation
8 activities of the project; and
9 (8) Provide training to aging and disability resource
10 center staff.
11 SECTION 8. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of $300,000 or so much
13 thereof as may be necessary for fiscal year 2007-2008 and the
14 sum of $230,000 or so much thereof as may be necessary for
15 fiscal year 2008-2009 to the executive office on aging to
16 support the continuous development of the aging and disability
17 resource center project in Hawaii.
18 The sums appropriated shall be expended by the department
19 of health for the purposes of this section.
20
21 PART VI
22 SERVICES
SECTION 9. There is appropriated out of the general
revenues of the State of Hawaii the sum of $475,000 or so much
thereof as may be necessary for fiscal year 2007-2008 and
$525,000 or so much thereof as may be necessary for fiscal year
2008-2009 to the executive office on aging to expand the kupuna
care program's in-home and access services to qualified care
recipients and to provide direct services to family caregivers.
The sums appropriated shall be expended by the department
of health for the purposes of this part.

PART VII

APPROACHES TO FINANCIAL NEEDS OF FAMILY CAREGIVERS

SECTION 10. (a) The cash and counseling program is a
national initiative sponsored by the Robert Wood Johnson
Foundation; the United States Department of Health and Human
Services, Office of the Assistant Secretary for Planning and
Evaluation; and the Administration on Aging. Under the program,
recipients of medicaid personal care services or home- and
community-based services receive a flexible monthly allowance
and decide who to hire and what services they want to receive.
The program's innovative approach enables participants to
direct and manage their personal assistance services according
to their own specific needs. Participants can choose a family
member or friend, in lieu of an agency worker, to provide the services. They receive counseling and fiscal assistance to help them manage their allowance and responsibilities. The program was first implemented in Arkansas, New Jersey, and Florida, and has since expanded to include twelve other states.

The potential exists to establish a similar program here in Hawaii to serve the needs of residents receiving medicaid personal care services or home- and community-based services, as well as residents who are not medicaid recipients.

(b) A tax credit to caregivers who care for qualified care recipients is another approach to helping family caregivers defray some of the cost of providing invaluable caregiving services. One measure introduced during the 2007 legislative session, Senate Bill No. 1199, S.D. 2 (2007), provides eligible taxpayers with a refundable income tax credit on a sliding scale basis.

SECTION 11. (a) The executive office on aging shall:

(1) Research the cash and counseling program and its implementation in other states, including Arkansas, New Jersey, and Florida;

(2) In completing its research:
(A) Contact the national program office at the Boston college graduate school of social work, which coordinates replications of the program;

(B) Consult with the Robert Wood Johnson Foundation, the Office of the Assistant Secretary for Planning and Evaluation at the United States Department of Health and Human Services, the Administration on Aging, the department of human services, and the department of health; and

(C) Examine models that include individuals receiving medicaid personal care services or home- and community-based services, as well as individuals who are not medicaid recipients;

(3) Submit an interim report of its research findings to the joint legislative committee on family caregiving by November 1, 2007;

(b) The executive office on aging shall also:

(1) Prepare a cost-benefit analysis of a $1,000, $750, and $500 family caregiver refundable tax credit as proposed in Senate Bill No. 1199, S.D. 2 (2007); and
(2) Submit a report, including the results of the cost-benefit analysis, to the joint legislative committee on family caregiving by November 1, 2007.

PART VIII

MISCELLANEOUS PROVISIONS

SECTION 12. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 13. This Act shall take effect upon its approval; provided that sections 5, 8, and 9 shall take effect on July 1, 2007; and further provided that section 2 shall take effect on June 29, 2007.
Report Title:
Family Caregivers; Omnibus Package

Description:
Strengthen support of family caregivers by, among other things: extending the joint legislative committee on family caregiving; requiring the joint legislative committee on caregiving to conduct a comprehensive assessment of care recipients' needs and the needs of their family caregivers; requiring the executive office on aging to perform a comprehensive assessment of grandparents raising grandchildren in Hawaii; and appropriating funds to expand services of the kapuna care program, and continue the development of the aging and disability resource center project. (CD1)