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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Wednesday, January 30, 2008  
8:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 2291 – RELATING TO HEALTH INSURANCE**

TO THE HONORABLE JOSH GREEN, M.D., CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department opposes this bill, which creates a state authority tasked with the duty of laying the groundwork for a single payer system to provide health care to all of Hawaii’s people.

The problem with single payer systems is that they are often underfunded. In Medicare, for example, there is chronic under-reimbursement of doctors. In Canada and Britain there are long waiting periods for treatment, so long that some people die while they’re waiting. In addition, because of the limited budgets, the medical care differs somewhat from the kind of extensive choices in healthcare we get in the United States. For example, in Canada there are very few MRI units and elective hip surgery is a rarity. We are concerned that there is no guarantee that the Legislature will have a commitment to full funding of a single payer system year in and year out as medical costs rise. If there is inadequate funding, then healthcare will suffer.

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About half of the 9 percent of the population that is uninsured is eligible for some type of government program. In addition, there are incremental changes that can be made to reduce the number of uninsured. For example, last session the Administration introduced HB 1320 to provide guaranteed issue of health insurance to sole proprietors and part time workers of small businesses. These are the kinds of measures that we should be pursuing before considering a more radical change like a shift to a single payer system.

We are also concerned that the bill places the burden of the healthcare costs on employees' salaries. Taken together with income and payroll taxes, this would be a heavy burden on the working people of the State. If healthcare costs are increasing every year and the healthcare assessment takes a larger percentage of the employee's salary every year, this funding mechanism may not be sustainable over the long term.

It should also be noted that health insurance expenses are deductible for federal income tax purposes when the employer pays for it. This represents a significant subsidy of healthcare costs from the federal government that could be lost in a switch to an employee financed single payer system, if the Prepaid Health Care Act is repealed as is suggested by the bill.

Finally, we point out that the issue of single payer was studied by the Hawaii Healthcare Task Force in 2005. The Task Force submitted a report to the Legislature including a feasibility study. No conclusions regarding single payer were reached except to say that further study was needed.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.



## TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

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**ON THE FOLLOWING MEASURE:**

H.B. NO. 2291, RELATING TO HEALTH INSURANCE.

**BEFORE THE:**

HOUSE COMMITTEE ON HEALTH

**DATE:** Wednesday, January 30, 2008 **TIME:** 8:00 AM

**LOCATION:** State Capitol, Room 329  
*Deliver to: Committee Clerk, Room 436, 5 copies*

**TESTIFIER(S):** Mark J. Bennett, Attorney General  
or Lee Ann N.M. Brewer, Deputy Attorney General

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Chair Green and Members of the Committee:

The Attorney General opposes the language in section 1 of this measure that replaces the Department of Human Services ("the Department") with the state health authority as the designated state Medicaid agency, effective January 1, 2009.

The purpose of this measure is to establish the state health authority ("the Authority"), which will, generally, propose a plan to purchase all health care for all residents of the State. The plan is to be submitted prior to the 2009 legislative session, and be implemented no later than January 1, 2010.

Section 1 of the measure provides that the Authority is to be the designated state Medicaid agency (called the "single State agency" under federal Medicaid rules) beginning on January 1, 2009. It is not necessary for the Authority to be the "single State agency" in order to perform the planning functions described in this measure, and therefore this designation of a new "single State agency" is unnecessary, and should be deleted.

Even assuming that redesignation of the "single State agency" is desired or necessary for purposes of this measure, the measure as drafted is not sufficient to shift responsibility for administering the Medicaid program from the Department to the Authority. Federal regulations require that the designation of the "single State

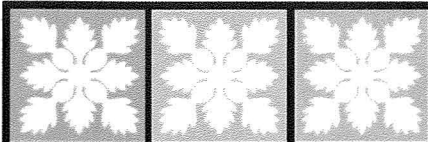
agency" be set forth in the Medicaid State Plan, which is subject to approval by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. 42 CFR §431.10(b). The designation must also include a certification by the State Attorney General, citing the legal authority for the "single State agency" to administer and supervise the administration of the plan, and to make rules relating to the administration of the plan. 42 CFR §431.10(b). This measure does not provide that authority, and therefore, the Attorney General would not be able to make the necessary certification.

In addition, it is not clear whether the Authority is being established as a separate department, or as an agency placed within a department. Article V, section 6 of the State Constitution provides that "[a]ll executive and administrative offices, departments and instrumentalities of the state government and their respective powers and duties shall be allocated by law among and within not more than twenty principal departments . . . . Temporary commissions or agencies for special purposes may be established by law and need not be allocated within a principal department." This measure appears to create a permanent agency, since the Authority becomes the state Medicaid agency. However, the measure does not identify whether the Authority is to be a new department, or placed within an existing department. If the designation of the Authority as the "single State agency" is deleted, the status of the Authority as a temporary commission or agency for special purposes under article V, section 6 of the State Constitution should be clarified.

Finally, replacement of the "single State agency" will likely involve substantial implementation challenges, which must be addressed in order to avoid liability to the State. The Med-QUEST Division ("MQD") of the Department is a complex agency, organized to meet a myriad of federal requirements relating to administration of the Medicaid program. Administrative rules relating to the numerous programs and benefits are voluminous, and have been adopted by both

the MQD and the Department's Social Services Division. Numerous provider agreements and contracts have been entered into by the Department to support delivery of and payment for services, and other administrative functions. Failure to appropriately transfer these functions could result in serious disruption of services to Medicaid recipients, and liability for the State of Hawaii for failure to comply with the Medicaid State Plan and other federal requirements, including the loss of federal funding.

Based on the foregoing, the Attorney General respectfully requests that (1) section 1 of this measure be amended to remove the designation of the Authority as the "single State agency," (2) wording be added to clarify the Authority's status under article 5, section 6 of the State constitution, and (3) the Authority's planning function include an analysis of whether the current "single State agency" should be replaced and, if so, a plan for how the transfer of the "single State agency's" functions can be achieved while ensuring that services will be uninterrupted and federal funding secure.



## Hawaii Association of Health Plans

January 30, 2008

The Honorable Josh Green, M.D., Chair  
The Honorable John Mizuno, Vice Chair  
House Committee on Health

**Re: HB 2291 – Relating to Health Insurance**

Dear Chair Green, Vice Chair Mizuno and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare  
Hawaii Medical Assurance Association  
HMSA  
Hawaii-Western Management Group, Inc.

MDX Hawai‘i  
University Health Alliance  
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a Legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify on HB 2291 which would establish a State Health Authority to propose a plan to provide medical assistance for all citizens of Hawaii. We recommend that the committee hold this bill for the reasons stated below.

During the 2005 legislative session, the Hawaii Health Care Task Force was created via HB 1304 to develop a plan for implementing health care for all the residents of Hawaii. To accomplish this goal, The Lewin Group was contracted to perform a study on this issue. The language contained in the measure before you today would seem to be requesting the State perform work which has already been accomplished by the Task Force rendering it duplicative and possibly unnecessary.

Thank you for the opportunity to offer comments today.

Sincerely,

Rick Jackson  
President

• AlohaCare • HMAA • HMSA • HWMG • MDX Hawaii • UHA • UnitedHealthcare •  
HAHP c/o Howard Lee, UHA, 700 Bishop Street, Suite 300 Honolulu 96813  
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TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HEALTH  
ON  
HOUSE BILL NO. 2291

January 30, 2008

RELATING TO HEALTH INSURANCE

House Bill No. 2291 proposes to create a State Health Authority, designated as the State Medicaid Agency, which would be responsible for developing a comprehensive plan to provide State-funded health insurance for individuals with incomes up to 300% of the federal poverty level, developing a detailed plan for purchasing all health care for all residents of the State, and adopting all optional services allowed under the Medicaid program.

We are opposed to this bill.

We have concerns on the feasibility of establishing State-funded universal health care for all Hawaii residents. It is uncertain whether the system (i.e., the State) can accommodate the additional costs of providing health care for those who are not currently insured. It is also unclear how the healthcare plans of the Employer-Union Health Benefits Trust Fund and the plans of private employers will be combined into a single entity.

Further, the bill makes the proposed State Health Authority responsible for overall health planning for the State and for determining future capacity needs of health providers, facilities, equipment, and support services providers. This responsibility duplicates the functions of the State Health Planning and Development Agency.

**mizuno1-Edgar**

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**From:** Kristopher Coontz [kcoontz@hawaii.edu]  
**Sent:** Tuesday, January 29, 2008 3:44 PM  
**To:** HLTtestimony  
**Subject:** testimony against HB 2291

Aloha,

My name is Kris Coontz. I am a public health graduate student at the University and health care worker with an interest in health policy. I have read HB 2291 with great interest, and believe that the wording of the bill makes it likely that it will not accomplish its stated intention of covering all the uninsured in Hawaii. Perhaps the greatest omission is the wording which states that only 'citizens' will receive health care. This could be used in effect to exclude indigent resident aliens and Micronesians immigrants. Mizuno's Bill HB 2898 appears to address these problems.

Consequently, I recommend that HB 2291 NOT be forwarded from committee.

Thank you for your time,

Kris Coontz  
Department of Public Health Sciences and Epidemiology John A. Burns School of Medicine  
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Honolulu, HI 96822  
808-927-0048