

# HB 1134, HD 1

Measure  
Title:

**RELATING TO PREPAID HEALTH CARE.**

Report  
Title:

**Health Insurance; Prepaid Health Care**

Description:

**Repeals part V of the Hawaii Prepaid Health Care Act and Act 99, Session Laws of Hawaii 1994, relating to the future termination of the prepaid health care law. Effective July 1, 2050. (HB1134 HD1)**

Companion:

Package:

**None**

Current  
Referral:

**HTH/CPN, JDL**



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310  
P.O. Box 541

HONOLULU, HAWAII 96809  
Phone Number: 586-2850  
Fax Number: 586-2856  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

EVERETT KANESHIGE  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON HEALTH  
AND COMMERCE AND CONSUMER PROTECTION

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Tuesday, March 22, 2011  
9:45 a.m.

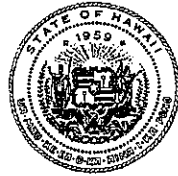
**TESTIMONY ON HOUSE BILL NO. 1134, H.D. 1 – RELATING TO PREPAID HEALTH CARE.**

TO THE HONORABLE JOSH GREEN, M.D., AND ROSALYN H. BAKER, CHAIRS,  
AND MEMBERS OF THE COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department defers to the Department of Labor and Industrial Relations on this bill.

The purpose of this bill is to sunset the Hawaii Prepaid Health Care Act by repealing Act 99, Session Laws of Hawaii 1994, and Hawaii Revised Statutes chapter 393, Part V.

We thank this Committee for the opportunity to present testimony on this matter.



**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
[www.hawaii.gov/labor](http://www.hawaii.gov/labor)  
Phone: (808) 586-8842 / Fax: (808) 586-9099  
Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

March 22, 2011

To: The Honorable Rosalyn H. Baker, Chair  
and Members of the Committee on Commerce and Consumer Protection

Date: Tuesday, March 22, 2011

Time: 9:45 a.m.

Place: Conference Room 229, State Capitol

From: Dwight Y. Takamine, Director  
Department of Labor and Industrial Relations

**Testimony in Support of**  
**Re: H.B. No. 1134, HD1 Relating to the Hawaii Prepaid Health Care**

**I. OVERVIEW OF PROPOSED LEGISLATION**

Current federal legislation mandating national health care coverage for all legal residents by January 1, 2014 is still undergoing Congressional review with possible further amendment. Although this national discussion may result in better health care, the program has yet to prove itself, whereas Hawaii's Prepaid Health Care law has been in effect for almost four decades and the better health enjoyed by its citizenry ably validates it as a successful social welfare program. To ensure the program continues to thrive regardless of the probable changes in the federal legislation, the proposed bill seeks to delete from the statute Section 393-51 that allows for the termination of the Prepaid Health Care Act upon the effective date of federal legislation for health care. The bill also seeks to repeal the 1994 Act 99, which also provided for the repeal of Section 393-51 but bore conflictive language.

**II. CURRENT LAW**

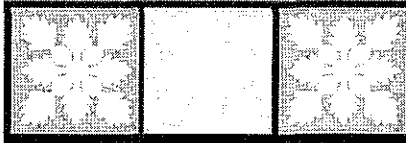
The 1974 legislation of Act 210 effective January 1, 1975, provided the working uninsured with quality mandated health care benefits and maintained the prevailing standards for those employees already fortunate to have medical coverage. The law requires employers to insure their workers upon attainment of eligibility. As a result of the reform, Hawaii's workers and their families constitute one of the healthiest

populations in the nation today. In anticipation of national health care reform that would presumably provide greater federal protections, Act 210 included a sunset provision to be implemented upon the effective date of the federal legislation. Subsequently, discussions on the implementation and costs of a national health program raised the question as to whether the high quality of medical benefits enjoyed by Hawaii's workers were in jeopardy. In 1994, the Prepaid Health Care Act was amended with Act 99 repealing the statute's termination provision. However, the repeal was made subject to a requisite amendment of the federal Employee Retirement Income Security Act of 1974 (ERISA) that would allow for the "substantive" change to the Hawaii law. There has been no federal legislation to amend ERISA.

### **III. HOUSE BILL**

The Department supports the intent to maintain the integrity of the Prepaid Health Care Act. Congressional review of the federal legislation appears imminent with further amendment very possible, and such amendment may not preserve the level of high quality health care currently enjoyed by Hawaii's citizens.

The Department notes, however, that changes to the Hawaii Prepaid Health Care Act are subject to preemption by the federal Employee Retirement Income Security Act (ERISA).



## Hawaii Association of Health Plans

March 22, 2011

The Honorable Josh Green M.D., Chair  
The Honorable Rosalyn H. Baker, Chair

Senate Committees on Health and Commerce and Consumer Protection

**Re: HB 1134 HD1 – Relating to Prepaid Health Care**

Dear Chair Green, Chair Baker and Members of the Committees:

My name is Howard Lee and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of eight (8) member organizations:

AlohaCare	Kaiser Permanente
Hawaii Medical Assurance Association	MDX Hawai‘i
HMSA	University Health Alliance
Hawaii-Western Management Group, Inc.	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 provide testimony in support of HB 1134 HD1 which would repeal the sunset clause from Hawaii’s Prepaid Health Care Act (PHCA).

Hawaii is unique in the nation when it comes to the provision of health care. Under the PHCA, the state enjoys a lower uninsured rate than most of the country, experiences lower premiums on average and provides for comprehensive benefits for those receiving employer-based coverage. Despite passage of federal health care reform know as the Affordable Care Act (ACA), there are many in the community who believe that the PHCA should remain intact, as its provisions, in many regards are stronger than those required by the ACA.

We believe that removing the sunset provision from the PHCA will assist in its preservation and therefore we respectfully urge the Committee to support this measure.

Sincerely,

Howard Lee  
President

• AlohaCare • HMAA • HMSA • HWMG • Kaiser Permanente • MDX Hawaii • UHA • UnitedHealthcare •  
HAHP c/o Howard Lee, UHA, 700 Bishop Street, Suite 300 Honolulu 96813  
[www.hahp.org](http://www.hahp.org)



SENATE COMMITTEE ON HEALTH  
Senator Josh Green, M.D., Chair

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
Senator Rosalyn Baker, Chair

Conference Room 229  
March 22, 2011 at 9:45 a.m.

**Commenting on HB 1134 HD 1.**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. The Healthcare Association takes no position on HB 1134 HD 1, which repeals the sunset clause of the Prepaid Health Care Act (PHCA), and appreciates this opportunity to comment on it.

The Healthcare Association does not sit before this committee to speak in opposition to the PHCA. In Hawaii, the PHCA has been responsible for reducing the uninsured rate and maintaining one of the lowest uninsured rates in the nation for nearly 30 years. It is understandable that there is an interest in preserving it.

Last year the Affordable Care Act (ACA) was signed into law. Its stated goal is to cover 95% to 97% of our residents. Although the law has been enacted, many of the rules have not yet been written. The ACA will become operational in stages, taking several years before it becomes fully effective.

Since there are so many specifics yet to be defined as the ACA becomes implemented, we believe that passage of HB 1134 HD 1 in its current form would be premature, although we support continued dialog and are simply providing comments on the bill.

# HMSA



An independent Licensee of the Blue Cross and Blue Shield Association

March 22, 2011

The Honorable Josh Green, M.D., Chair  
The Honorable Rosalyn H. Baker, Chair

Senate Committees on Health and Commerce and Consumer Protection

**Re: HB 1134 HD1 – Relating to Prepaid Health Care**

Dear Chair Green, Chair Baker and Members of the Committees:

The Hawaii Medical Service Association (HMSA) supports HB 1134 HD1, which would repeal Section 393-51, Hawaii Revised Statutes, the termination provision in the State's Prepaid Health Care Act (PHCA). This Bill also repeals Act 99, Session Laws of Hawaii 1994, which would repeal that statutory termination upon specific federal action.

Residents in Hawaii have benefitted from expanded health care coverage under a unique and successful employer health care mandate that has been in place for more than 30 years – the PHCA. The overall impact of the law since 1974 has been the maintenance of relatively robust private benefit plans, low rates of uninsured, and some of the lowest premiums in the country. While Hawaii suffers from some of the same issues relative to access, quality and cost as states across the country, the PHCA has been the backbone over the years ensuring system stability and moderation of problems in health care delivery and finance.

Although the current system has been preserved through legislative language included by Hawaii's Congressional Delegation in the federal health care reform law, the Affordable Care Act (ACA), it may unintentionally be jeopardized without further federal- and state-level legislative fixes prior to the implementation of a newly mandated health insurance exchange in 2014.

Work to create Hawaii's health exchange, through which individuals may shop for an appropriate health plan, has just begun. This Legislature will consider legislation to do just that. But, while the states scramble to address the ACA, the shift in the balance of power in Washington confounds those efforts and confuses what health care reform eventually will cover.

Hawaii's prepaid system is established and proven to be effective.

There must be coordination of PHCA and the ACA, specifically with respect to how PHCA will work in tandem with the exchange. Resolution of this uncertainty would ensure that Hawaii's businesses, insurers, and residents understand the way in which they should invest their appreciable yet limited resources, particularly if they must radically change the way health care is done in Hawaii. The provisions of HB 1134 HD1 offer a simple, single step to maintain the premium health care that the majority of people in Hawaii already enjoy.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman  
Vice President  
Government Relations

Hawaii Medical Service Association

818 Keeaumoku St. • P.O. Box 860  
Honolulu, HI 96808-0860

(808) 948-5110

Branch offices located on  
Hawaii, Kauai and Maui

Internet address  
[www.HMSA.com](http://www.HMSA.com)

## green2 - Kealaonalehua

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 19, 2011 2:55 PM  
**To:** HTHTestimony  
**Cc:** Tlenzer@hawaii.rr.com  
**Subject:** Testimony for HB1134 on 3/22/2011 9:45:00 AM

Testimony for HTH/CPN 3/22/2011 9:45:00 AM HB1134

Conference room: 229  
Testifier position: support  
Testifier will be present: No  
Submitted by: Anthony Lenzer, Ph.D  
Organization: Individual  
Address:  
Phone:  
E-mail: [Tlenzer@hawaii.rr.com](mailto:Tlenzer@hawaii.rr.com)  
Submitted on: 3/19/2011

Comments:  
Chairs Green and Baker and Committee Members:

My name is Anthony Lenzer. I strongly support the intent of this Bill, which is to insure the continuity of Hawaii's health care act, regardless of what changes in health care may ensue as a result of current or future Federal legislation. Hawaii's law has been tested over time, and has been shown to provide excellent protection for our citizens.

Removing the sunset provisions in our current law is especially important at a time when the Federal Affordable Care Act is under attack at both the state and Congressional levels. Given the current political situation, comprehensive, affordable health care protection faces a very uncertain future at the national level. Hawaii's citizens are fortunate to have our requirements for health insurance coverage, and the Legislature would be wise to make sure that such coverage will be available to future generations.

Thank you for the opportunity to testify on this important legislation.