



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

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February 8, 2011

To: The Honorable Ryan I. Yamane, Chair
and Members of the House Committee on Health

Date: Tuesday, February 8, 2011
Time: 9:30 a.m.
Place: Conference Room 329, State Capitol

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

Testimony in Support of
Re: H.B. No. 1134 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 bill to remove the statute's sunset provision and thus 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.



**Testimony to the House Committee on Health
Tuesday, February 8, 2011 at 9:30 a.m.
Conference Room 329, State Capitol**

RE: HOUSE BILL NO. 1134 RELATING TO PREPAID HEALTH CARE

Chair Yamane, Vice Chair Morikawa, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber would like to provide comments on HB 1134 relating to Prepaid Health Care.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure 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.

The Hawaii Legislature recognized in 1994 that it does not have the authority to substantively amend the Prepaid Health Care Act. This bill is a well meaning attempt to undo what was done, but like its predecessor cannot have any legal effect based on the narrow exception to the Employee Retirement Income Security Act (ERISA) granted Hawaii's law. Attached is the University of Hawaii's summary of the issue.

The Chamber believes the people of Hawaii need time to understand the benefits of the Affordable Care Act (ACA) passed last year before determining that the old structure of mandated benefits works to hold health care costs down. When the Prepaid Health Care Act was passed, employees were expected to share equally in the cost of premiums capped at 1.5% of their income. We all recognize that health care costs exceed that percentage across the country and in Hawaii the differential is born by businesses small and large. This extra burden could be alleviated partially under the ACA and generate new jobs and economic growth for Hawaii when it is most needed. As a community we need to have an open debate on whether the Prepaid Health Care Act is needed any longer or if the ACA is the new model that will carry Hawaii to even higher levels of health.

Governor Abercrombie has stated: ""The passage of national health care reform last year was a momentous step forward for our country and state. The Affordable Care Act preserved the best elements of what Hawaii already had under our Prepaid Health Care Act while improving quality and access to health care for Hawaii families."

LATE TESTIMONY

The Chamber of Commerce of Hawaii
Testimony on HB 1134

The Star-Advertiser reported Gov. Abercrombie stating:

"(The Prepaid Health Care Act) was the most progressive of its time, but events have caught up with us, in the sense of costs of health care simply getting beyond us. ...So we're most likely going to have to review whether the fundamental premise of the health care -- the division between employer and employee -- perhaps needs to have another look."

KITV reported Gov. Abercrombie stating:

"So it is quite clear, in terms of the Prepaid Healthcare Act, we may need to have a review and a revision of it likely."

These comments echo his "New Day" campaign platform:

"...the Prepaid Healthcare Act that has served Hawaii so well now must be revisited. A new vision of providing healthcare to everyone in Hawaii must emerge...."

The Chamber of Commerce is in favor of any measures that will foster that debate and serious discussion. Thank you for the opportunity to submit comments.

Feb 7, 2011

Representative Daynette Morikawa
State Capitol, Room 426
415 South Beretania Street
Honolulu, HI 96813

LATE TESTIMONY

Dear Representative Morikawa,

I appreciate this opportunity to share my thoughts on HB 1134, which repeals the sunset clause of the Prepaid Health Care Act (PHCA), and appreciate this opportunity to comment on it.

I do not wish 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 in its current form would be premature, although I support continued dialog and am simply providing comments on the bill.

Sincerely,

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