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TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Monday, February 14, 2011  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 1201, HD 1 – RELATING TO THE HAWAII  
HEALTH BENEFIT EXCHANGE.**

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department supports the intent of this bill which is to create a health insurance exchange, but prefers the Administration bill, HB 1048.

We agree that action to create a health insurance exchange is needed. Under the Patient Protection and Affordable Care Act ("PPACA"), the Secretary of Health and Human Services is scheduled to determine Hawaii's ability to create an exchange in 2013 and the exchange must be up and running by 2014. Given the size of the task, the Department believes implementation should start soon and the first step is establishing the statutory framework for the exchange.

Under PPACA, the exchange is required to: (a) certify, recertify, and decertify health plans; and (b) certify exemptions from the individual purchase mandate under PPACA. Although using private sector employees may afford greater flexibility to the

exchange, giving private sector employees the authority to determine legal rights of citizens and access of insurers to the market may not be advisable.

Access to the market by insurers and for consumers is a paramount issue.

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



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 14, 2011

**MEMORANDUM**

TO: The Honorable Robert N. Herkes, Chair  
House Committee on Consumer Protection and Commerce

FROM: Patricia McManaman, Interim Director

SUBJECT: **H.B. 1201, H.D. 1 - RELATING TO HAWAII HEALTH BENEFIT  
EXCHANGE**

Hearing: Monday, February 14, 2011; 2:00 p.m.  
Conference Room 325, State Capitol

**PURPOSE:** The purpose of the bill is to establish the Hawaii health benefit exchange in compliance with federal law.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of the bill and respectfully requests an amendment to it.

Under the Affordable Care Act, applications submitted through a health insurance exchange are required to be determined for Medicaid eligibility. Federal funding is available through Medicaid to support this function. Accordingly, DHS recommends amending section 2 to include this purpose by adding a subsection (b) (3) to section 431: - 103, on page 4 as follows: "(3) Interfacing with the department of human services to determine medicaid eligibility."

Thank you for the opportunity to provide written testimony on this bill.

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 14, 2011

The Honorable Robert Herkes, Chair  
The Honorable Ryan Yamane, Vice Chair  
House Committee on Consumer Protection and Commerce

**Re: HB 1201 HD1 – Relating to the Hawaii Health Benefit Exchange**

Dear Chair Herkes, Vice Chair Yamane and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1201 HD1, which establishes the Hawaii Health Benefit Exchange (“Exchange”). HMSA supports this legislation.

Pursuant to the federal Affordable Care Act (ACA), by January 1, 2014, each state must have created a fully operable health insurance exchange, through which individuals will “shop” for their health plans. If, by January 2013, a state has not made sufficient progress in creating its exchange, the U. S. Department of Health and Human Services (“HHS”) will move to establish an exchange for that state, effectively taking over the state’s health care system.

Given that expedited timetable, prudence dictates this State establishes an exchange that has sufficient flexibility so that it may employ staff; develop and execute rules and procedures; contract for necessary services such as creating a website through which the public will shop the Exchange; and procure the plans for inclusion in the Exchange. We are concerned that a State agency subject to civil service, procurement, and administrative statutes and rules will not be able to successfully meet that challenge. This Bill offers an alternative model - a nonprofit agency.

While this independent Exchange would be responsive to the mandates of the ACA, the system also must be responsible to the State, which ultimately is accountable to HHS. Therefore, it may be prudent to incorporate into this Bill the means for the State to verify and certify that the Exchange is properly meeting its statutory and legal responsibilities.

The successful and timely implementation of the ACA is imperative. It demands thinking out-of-the-box, and not being tied to a standard State government organization model. We believe this Bill offers an opportunity for the State to create an innovative Exchange that can successfully execute the ACA in Hawaii. Thank you for the opportunity to testify today.

Sincerely,

Jennifer Diesman,  
Vice President  
Government Relations



**HAWAII MEDICAL ASSOCIATION**

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

**Monday, February 14, 2011, 2:00 P.M., Conference Room 329**

To: COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert N. Herkes, Chair  
Rep. Ryan I. Yamane, Vice Chair

From: Hawaii Medical Association  
Dr. Morris Mitsunaga, MD, President  
Linda Rasmussen, MD, Legislative Co-Chair  
Dr. Joseph Zobian, MD, Legislative Co-Chair  
Dr. Christopher Flanders, DO, Executive Director  
Lauren Zirbel, Community and Government Relations

Re: HB 1201 RELATING TO THE HAWAII HEALTH BENEFIT EXCHANGE

In Support

Chairs & Committee Members:

Hawaii Medical Association supports HB 1201.

HMA recognizes that it is vitally important to create a well functioning Hawaii health benefit exchange.

We hope that the provider community will have a meaningful place in the discussion about which benefits are necessary for patients to lead healthy and productive lives and how we can improve access to affordable health insurance for self employed and part-time workers.

Thank you for the opportunity to testify.

**OFFICERS**

**PRESIDENT - MORRIS MITSUNAGA, MD PRESIDENT-ELECT - ROGER KIMURA, MD**  
**SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - DR. ROBERT C. MARVIT, MD TREASURER**  
**- STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO**



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert Herkes, Chair

Conference Room 325  
Feb. 14, 2011 at 2:00 p.m.

**Supporting HB 1201 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. Thank you for this opportunity to testify in support of HB 1201 HD 1, which establishes an insurance exchange for Hawaii.

The federal Affordable Care Act (ACA) requires each state to have an insurance exchange. Each state may create its own insurance exchange; otherwise, the federal government will create one. In Hawaii a task force to develop an insurance exchange has been established, and the Healthcare Association is represented on the task force.

HB 1201 HD 1 creates the legal structure for an exchange and requires it to work with the task force to develop policies and the legislation necessary to comply with the ACA, while also being aware of Hawaii's Prepaid Health Care Act. Hawaii should take the opportunity to create its own exchange, rather than allow the federal government to create one, because it will enable Hawaii to pursue its own objectives while taking into consideration Hawaii's unique characteristics.

For the foregoing reasons, the Healthcare Association supports HB 1201 HD 1.



*The Official Sponsor of Birthdays*

February 12, 2011

Committee on Consumer Protection & Commerce  
Representative Robert Herkes, Chair  
Representative Ryan Yamane, Vice Chair

**Hearing:**

February 14, 2011, 2:00 p.m.  
Hawaii State Capitol, Conference Rm. 325

**RE: HB 1201, HD1 – Relating to Hawaii Health Benefit Exchange**

**Testimony in Support**

Chair Herkes, Vice Chair Yamane and members of the Committee on Consumer Protection & Commerce, my name is George Massengale and I am the Director of Government Relations for the American Cancer Society Hawaii Pacific Inc. Thank you for the opportunity to offer this testimony in support of HB1201, HD1 which would establish the Hawaii Health Benefit Exchange as required by the passage of the federal Affordable Care Act last year.

We previously offered testimony on this measure before the Committee on Health on February 4 and thank Representative Yamane for amending to this measure.

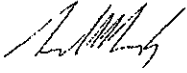
We also testified on a similar Senate measure, SB1348, this past Thursday. **In preparing for this testimony we did a side-by-side comparison of SB1348 and this House bill, HB1201, HD1. After doing so, we prefer the language contained in SB1348.** It appears to be much better aligned with the Society's vision of what an effective Health Insurance Exchange should look like. Further, the provisions in SB1348, Section 4(d) would allow the DCCA to hire temporary staff outside the constraints of the civil service. This is a very critical component because of short timeline to have the exchange up and running, those employed by the exchange will need flexibility to respond quickly to the myriad of changes that they will most certainly encounter. This can only be accomplished outside the constraints for the civil service.

In closing, we note that Hawaii has not been immune to many of the health care challenges that the rest of the country faces and is attempting to address accessibility, quality, and cost. Although our individual health care costs are still relatively low when compared to the rest of the nation, they have been rising. These include increases in health insurance premiums, co-payments, and prescription drug costs.

We see the creation of the Health Benefit Exchange as an effective way to address these and other challenges. We are certain that a well-run health benefit exchange in Hawaii will allow people to find other affordable health care options in an expanded and competitive market place.

Thank you for the opportunity to offer this testimony here today.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale". The signature is written in a cursive style with a prominent initial "G" and a long, sweeping underline.

George S. Massengale, JD  
Director of Government Relations