

**SB 1348**



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TO THE SENATE COMMITTEE ON WAYS AND MEANS

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Thursday, February 24, 2011  
9 a.m.

**WRITTEN TESTIMONY ONLY**

**TESTIMONY ON SENATE BILL NO. 1348, S.D. 1 – RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE.**

TO THE HONORABLE DAVID Y. IGE, 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 creates a health insurance exchange for Hawaii. However, we wish to offer the following comments.

We agree that action to create a health insurance exchange is advisable. 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, we believe implementation should start soon and the first step is establishing the statutory framework for the exchange.

We understand that using private sector employees affords greater flexibility to the exchange. However, we should point out that under PPACA, the exchange does the following things: (a) certify, recertify, and decertify health plans; and (b) certify

exemptions from the individual purchase mandate under PPACA. Giving private sector employees the ability to determine legal rights of citizens and access of insurers to the market, is something that can be done, but careful consideration on this issue should be undertaken. Unintended consequences such as legal challenges may arise.

It may be advisable not to defer the determination of the composition of the board of directors until after the state health insurance exchange task force makes recommendations on that point. If we can establish a board sooner rather than later, then they can hire an executive director and begin implementation. Otherwise, implementation may be delayed and it may be difficult to meet the federal deadlines.

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

# HMSA



Blue Cross  
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February 24, 2011

The Honorable David Y. Ige, Chair  
The Honorable Michelle Kidani, Vice Chair  
Senate Committee on Ways and Means

**Re: SB 1348 SD1 – Relating to the Hawaii Health Insurance Exchange**

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1348 SD1 which would establish the Hawaii Health Connector. HMSA supports this Bill.

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 to be known as the Hawaii Health Connector – which shall serve as Hawaii’s health exchange.

While this independent Connector would be responsive to the exchange mandate of the ACA, the system also must be responsible to the State, which ultimately is accountable to HHS. To address this, this Bill provides for an already established State health insurance task force, chaired by the Insurance Commissioner, to propose details to the 2012 Legislature on the governance of the Connector, administration of the Connector, the Connector’s role and responsibilities, short and long-term financing mechanisms for the Connector, and policies governing the inclusion of plans offered via the Connector.

This measure also provides for the use of already secured federal monies to provide staffing for the task force and to procure resources needed to expedite the establishment of the Connector and its purposes. This is critical for Hawaii’s successfully meeting the ACA’s deadlines. Thank you for the opportunity to testify today in support of SB 1348 SD1.

Sincerely,

Jennifer Diesman  
Vice President, Government Relations



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February 23, 2011

Committee on Ways and Means  
Senator David Ige, Chair  
Senator Michelle Kidani, Vice Chair

**Hearing:**

February 24, 2011, 9:00 a.m.  
Hawaii State Capitol, Conference Rm. 211

**RE: SB 1348, SD1 – Relating to the Hawaii Health Insurance Exchange**

**Testimony in Strong Support**

Chairs Ige, Vice Chair Kidani, and members of the Committee on Ways and Means. Thank you for the opportunity to offer this written testimony in strong support of SB1348, SD1, which would establish the Hawaii Health Connector to create a health insurance exchange pursuant to the recently passed federal Patient Protection and Affordable Care Act.

For over thirty years, Hawaii's prepaid health care act has served our state well. As you know, it became the model and blueprint for the nation's endeavor to reform health care. Because of our prepaid health care act, Hawaii has one of the healthiest populations and one of the lowest rates for uninsured individuals in the country. Nonetheless, Hawaii has not been immune to many of the health care challenges that the rest of the country face and is attempting to address accessibility, quality, and cost. Although our individual health care costs are low when compared to the rest of the nation, they have been rising. These include increases in health insurance premiums, co-pays, and prescription drug costs.

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

We applaud the legislature for addressing the insurance exchange creation early on. We also support the creation of a nonprofit entity for its operation. There are certain efficiencies within a nonprofit corporation that will allow it to respond rapidly to the many changes that will be encountered as the Health Insurance Exchange evolves.

In preparing for this testimony we did a side-by-side comparison of SB1348 and the House version HB1201. After doing so, we strongly believe that this bill, SB1348, SD1 should be the preferred vehicle. It is in much better alignment with the Society's vision of what an effective Health Insurance Exchange should look like. It provides for consumer representation on the board, thus insuring transparency. In addition, **Section 4. (d)**, permits DCCA to hire temporary staff outside the constraints of the civil service. 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.

As we move forward we have two thoughts regarding the powers that the exchange should have, and the source of sustainable funding.

**Powers** – We believe that exchange must possess the power to drive improvements in the quality of care, and generate cost savings for consumers and businesses, especially our small business community. To accomplish this, the exchange will need the authority to limit participation in the exchange, and to negotiate rates and other components of plan offerings. Specifically:

- Authority to limit the number of plans in the exchange based on established criteria;
- Ability to negotiate rates or other components of plan offering, such as provider networks, or reimbursement of transportation cost for care gives; and
- Ability to quickly remove a carrier for poor performance or unacceptable premium increases.

**Funding** – We recommend that an exchange fee be levied against all insures in the market place (not just those in the exchange). By doing so, the sustainability of the exchange is assured.

The implementation of Hawaii's Health Exchange will be critical in harmonizing the various benefits of our Prepaid Health Care Act with those of the Patient Protection and Affordable Care Act. If done correctly, our residents will experience real improvement in their ability to access, choose, and purchase comprehensive and affordable health coverage that meets their specific needs.

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

Respectfully,



George S. Massengale, JD  
Director of Government Relations



Senate Committee on Ways and Means  
Senator David Ige, Chair  
Honorable Committee Chairs and committee members;

February 23, 2011

I'd like to have Punc Community Medical Center to be put on record as a strong supporter of Hawaii's creation of an Insurance Exchange with SB 1348, SD-1.

We have many uninsured people in Hawaii, many of them with limited funds; these citizens will have to have major assistance in shopping for appropriate insurance products, if, in fact, they are to be expected to be insured as will be required by law.

Our walk-in clinic now provides care to the uninsured and the poor only with outside assistance to help us stay solvent. Having everyone insured is a great idea, but many people are going to be overwhelmed by a very complex system; an Insurance Exchange will help identify insurance products and to assist our clients with finding the resources to purchase them.

Please let Hawaii point the way on how this is done well with compassion and aloha.

Thank you for allowing us to express our strong support of SB 1348, SD-1.

Sincerely,  
Dan Domizio PA,MPH  
Clinical Programs Director



National  
Multiple Sclerosis  
Society  
Hawaii Division

To: COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle Kidani, Vice Chair

From: Lyn Moku, Office Manager

Hearing: February 24, 2011 – 9:00 a.m., Conference Room 211

Subject: **SUPPORT OF SB 1348, SD1 RELATING TO THE HAWAII HEALTH  
INSURANCE EXCHANGE**

The National Multiple Sclerosis Society supports SB 1348, SD1 which establishes the Hawaii health connector to create a health insurance exchange; creates a Hawaii health insurance exchange council; creates a board of directors; creates a task force to recommend policies and procedures to implement the governance of the health insurance exchange; and appropriates, out of federal funds received, funds necessary for fiscal year 2011-2012 to support the operations of the Hawaii health insurance exchange task force.

The National MS Society supports the implementation of the Patient Protection and affordable Care Act because we believe it will make great strides toward achieving needed improvements in health coverage and care for people with multiple sclerosis and other consumers in need of high-quality, easy-to-understand health coverage options.

Transparency and accountability to the public are critical components of effective exchanges. We trust that the task force meetings will be open to the public and published in advance so all stakeholders can participate in the discussion of issues and have a voice in making recommendations. We also ask that the task force includes people with chronic illnesses and/or disabilities and their advocates.

Please support SB 1348, SD 1. Thank you for the opportunity to testify.

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