

NEIL ABERCROMBIE
GOVERNOR



PATRICIA McMANAMAN,
INTERIM DIRECTOR
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DEPUTY DIRECTOR

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

March 1, 2011

MEMORANDUM

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Patricia McManaman, Interim Director

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

Hearing: Tuesday, March 1, 2011; 4:00 p.m.
Conference Room 308, 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 the bill to ensure that the health benefit exchange also supports Medicaid eligibility requirements as prescribed in the federal Affordable Care Act (ACA).

Under ACA, applications submitted through the health insurance exchange are required to be determined for Medicaid eligibility. Federal funding is available through Medicaid to support this function of the exchange.

The health insurance exchange is evolving to be an independent non-profit entity. To ensure that the health benefit exchange gives high priority to its need to support the Medicaid requirement, DHS recommends amending Section 2 of this bill by

adding another paragraph to subsection (b) under section 431: -103, on page 4 as follows: "Interfacing with the department of human services to determine medicaid eligibility."

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



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

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OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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KEALI'I S. LOPEZ
DIRECTOR

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DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE
TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Tuesday, March 1, 2011 – Agenda #7
4 p.m.

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

TO THE HONORABLE MARCUS R. OSHIRO, 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.

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.



HAWAII MEDICAL ASSOCIATION

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

Tuesday, March 1, 2011, 4:00 P.M., Conference Room 308

To: COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, 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 FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
March 1, 2011 at 4:00 p.m. (Agenda #7)

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.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 1, 2011

The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

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

Dear Chair Oshiro, Vice Chair Lee 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



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February 27, 2011

Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Hearing:

March 1, 2011, 4:00 p.m.
Hawaii State Capitol, Conference Rm. 308

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

Testimony in Support

Chair Oshiro, Vice Chair Lee and members of the Committee on Finance, 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 both subject matter committees, as well, a similar Senate measure, SB1348. **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. Individuals 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 face 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 testify today.

Respectfully,

A handwritten signature in black ink, appearing to read "G. Massengale", written in a cursive style.

George S. Massengale, JD
Director of Government Relations

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

PETER J. HAMASAKI
ATTORNEY

DIRECT #S:
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E-MAIL - HAMASAKI@M4LAW.COM

February 28, 2011

Honorable Marcus R. Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
Committee on Finance
House of Representatives
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: H.B. No. 1201, H.D.1 RELATING TO THE HAWAII HEALTH BENEFIT EXCHANGE

Dear Chair Oshiro, Vice Chair Lee, and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written comments on H.B. No. 1201, H.D.1, relating to the Hawaii Health Benefit Exchange, which is to be heard by your Committee on Finance on March 1, 2011.

Proposed Section 431: -107, relating to funding, is intended to comply with Section 1311(d)(5)(A) of the Patient Protection and Affordable Care Act. Section 1311(d)(5)(A) of the federal statute provides as follows:

(5) FUNDING LIMITATIONS-

(A) NO FEDERAL FUNDS FOR CONTINUED OPERATIONS- In establishing an Exchange under this section, the State shall ensure that such Exchange is self-sustaining beginning on January 1, 2015, including allowing the Exchange to charge assessments or user fees to participating health insurance issuers, or to otherwise generate funding, to support its operations.

To conform to the provisions of Section 1311(d)(5)(A) of the Patient Protection and Affordable Care Act, we respectfully suggest that proposed Section 431: -107 be revised to provide as follows:

§431: -107 Funding. As required by section 1311(d)(5)(A) of the Federal Act, the exchange shall be self-sustaining by January 1, 2015[.], and may charge assessments or user fees to participating health carriers, or may otherwise generate funding, to support its operations. [~~The board may establish fees to offset administrative costs.~~]

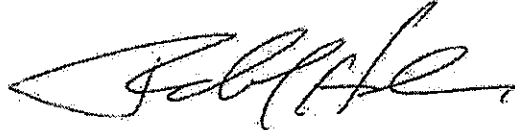
(Additional language underscored; deleted language in brackets/strikethrough.)

Honorable Marcus R. Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
Committee on Finance
February 28, 2011
Page 2 of 2

Thank you for your consideration of the foregoing.

Very truly yours,

MCCORRISTON MILLER MUKAI MACKINNON LLP

A handwritten signature in black ink, appearing to read "Peter J. Hamasaki", written over a horizontal line.

Peter J. Hamasaki

PJH:fk



To: House Committee on Finance
Representative Marcus R. Oshiro, Chair

Date: March 1, 2011, Conference Room 308, 4:00pm.

Re: **HB 1201, HD1, RELATING TO THE HAWAII HEALTH BENEFIT EXCHANGE**

Chair Oshiro and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP is in strong support of HB 1201 HD1, that establishes a Hawaii health benefit exchange that would work with the state health insurance exchange task force to propose legislation to the 2012 legislature to provide for the implementation of a Hawaii Health Insurance Exchange, by 2014, as required by the federal Patient Protection and Affordable Care Act (ACA) of 2010.

The implementation of the Hawaii Health Insurance Exchange will reduce health care costs and provide health insurance coverage for Hawaii's uninsured population. Furthermore, the development of a state health care plan, as proposed by this bill potentially provides Hawaii with the option of applying for a waiver of the federal plan, and instead use its own plan. President Obama, in his February 28, 2011 speech at the National Governors Association Meeting, stated that though the ACA allows states to develop and submit their own state health care plans for federal approval in 2017, he supported proposals that gave states the option of proposing their own plan as early as 2014, if it covered as many people as affordably and comprehensively as the ACA, while not increasing the federal deficit.

A Hawaii Health Insurance Exchange will benefit consumers by:

- Providing a single, centralized, insurance market that enables individuals and families to purchase health insurance.
- Making health insurance more affordable and accessible by providing an organized market for the purchase of health insurance.
- Providing access and facilitate comparison and selection of health insurance plans by providing more and better information about health insurance options.
- Providing strong oversight and protection of consumer rights, by making insurers more accountable.
- Providing seamless transitions among private plans, Medicaid, and state health programs.
- Facilitating other key features of federal health care reform legislation.

We urge you to support the passage of HB 1201, HD1, as it will help consumers obtain affordable health insurance for themselves and their families. It will also help provide needed health insurance for the approximate 10% of our uninsured population.

Thank you for the opportunity to submit my testimony.

To: Honorable Marcus Oshiro
Honorable Marilyn Lee

Hawaii Chapter
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Fax (808) 973-2160

From: Lin Joseph
Director of Program Services
March of Dimes Hawaii Chapter

marchofdimes.com/hawaii

Re: In support of
HB1201 HD1

Hearing: Tuesday March 1, 2011
Conference Room 308, State Capitol

Chair Oshiro, Vice Chair Lee, Members of the Committee:

I am writing to express strong support for HB1201: *Relating to the Hawaii Health Benefit Exchange*.

Hawaii will play a crucial role in health reform implementation at the state level, particularly with regard to establishing the new health benefit exchange. The exchange is essentially a marketplace where individuals and small employers can purchase health insurance.

March of Dimes believes that every woman of childbearing age, infant and child should have access to comprehensive affordable health insurance that meets their needs. March of Dimes focuses on coverage of preventive services for women and children, as well as coverage of specialty services for women at risk of complicated pregnancies, and children with special healthcare needs, such as those born preterm or with birth defects.

March of Dimes asks that legislation to establish the Hawaii Health Benefit Exchange:

- Includes language that requires the health benefit exchange's board of directors include a representative with Maternal Child Health experience due to the unique insurance needs of pregnant women, infant and children. At a minimum, organizations with expertise in maternal child health should be added to the list of stakeholders consulted.
- Includes language that requires the health benefit exchange to coordinate with the state's Medicaid/CHIP programs. This is important as fluctuating income and eligibility could cause pregnant women, infants and children to qualify for various programs from one year to the next and for families in which parents may be eligible for coverage through the health benefit exchange but their children are eligible for Medicaid/CHIP due to differing eligibility levels for different populations.
- Includes language that requires the health benefit exchange (which are required by federal law to engage in a quality improvement activity) to report on the same quality measures on which Hawaii's Medicaid/CHIP programs report. Using the same measure should be administratively simpler for the state, and provides a larger data set allowing policymakers and advocates to compare the quality of care provided in Medicaid/CHIP and the exchange.

For more than 70 years, the March of Dimes has been a leader in improving the health of women of child bearing age, infants, and children. Our mission is to *improve the health of babies by preventing birth defects, premature birth, and infant mortality.*