



EXECUTIVE CHAMBERS

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HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair
Rep. Dee Morikawa, Vice Chair
January 29, 2014, 8:45 a.m., Room 329

House Bill 2526, RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE

Comments

Presented by Beth Giesting, Healthcare Transformation Coordinator, Office of the Governor

Speaking on behalf of the Abercrombie Administration thank you for your concern about the success and sustainability of the Hawaii Health Connector. We share that concern.

At this time, we have no position on this bill, which would re-establish the Connector within the Department of Budget and Finance by January 2015. We believe that such a significant change must be preceded by a business and sustainability plan. We respectfully request that the bill be kept alive so that we can continue to discuss the positive and negative consequences of such a change.

Thank you for the opportunity to provide comments on this measure.



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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
HEALTH

January 29, 2014, 8:45 AM

HB 2526

RELATING TO THE HAWAII HEALTH CONNECTOR

Chair Belatti, Vice-Chair Morikawa, and members of the committee, thank you for the opportunity to submit testimony on HB2526. The State Procurement Office's (SPO) comments are limited to Section 2, page 10 line 7 to 8.

The SPO opposes this HB 2526. Public procurement's primary objective is to give everyone equal opportunity to compete for Government contracts; to prevent favoritism, collusion or fraud in awarding of contracts. Meeting this objective requires a single set of statutes and rules that define and mandate the use of selection processes that are competitive, efficient, fair, transparent, open and impartial. Statutorily exempting specific agencies from the Code, is not in the best interest of government, the business community, and the general public. The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly.

The SPO opposes the language on page 10, lines 7 to 8, "§27-M Procurement; exemption. The connector shall be exempt from chapter 103D."

If the Legislature intends to exempt specific programs or funds from the Code, the exemption should include assurances that the agency's exempt process includes fair and open competition, disclosure, transparency, due process for aggrieved parties, a defined selection and awards process, and the various elements contained in the Code to ensure public confidence that the exempt procurement process is fair.

We request that SECTION 2, §27-M of the bill be deleted.

Thank you.



The Honorable Della Au Belatti
Chair, Committee on Health

Re: Testimony regarding H.B. 2526, Relating to the Hawai'i Health Insurance Exchange.

Hearing scheduled for January 29, 2014, at 8:45 a.m.

Chair Belatti and members of the Committee on Health,

My name is Tom Matsuda, Interim Executive Director of the Hawai'i Health Connector (the "Connector"), speaking on behalf of the Connector and its Board of Directors.

As you know, Act 205 of the 2011 Legislative Session established the Hawai'i Health Connector as a non-profit corporation primarily to facilitate the rapid implementation of the state-based health insurance marketplace for Hawai'i as required by the federal Patient Protection and Affordable Care Act ("ACA"). Now that the marketplace has launched, the Legislature is considering several bills to change the structure of the Connector to become a state entity, including HB 2526.

Fundamentally, the most important issue for the Connector Board and staff is that any decision about structure should strengthen the Connector's ability to serve the public in the future as intended by the ACA and related state law. Form should follow function. The Connector is providing the people of Hawai'i with a valuable opportunity to take advantage of changes in the health insurance marketplace, with greater access to information, enrollment, and tax credits that can make plans more affordable. The Connector would like to be an information resource to this Committee to support the deliberations on HB 2526 so that there is a full understanding of the services we are providing to the public and the future potential of this organization to help improve healthcare in our state.

There are many issues to be considered to change the current non-profit entity into a state entity. For example, whether the Connector remains as a non-profit or becomes a state entity, the organization must be financially sustainable to continue. The ACA regulations require that all federal grant funds must be used or at least obligated by the end of 2014. The Board of Directors is currently developing a sustainability plan for the Connector, including options to reduce operating expenses and increase revenue. One possible cost reduction opportunity could be a consolidation of the currently integrated but separate IT



systems of the Connector and the Department of Human Services. This is a very complex question both in terms of technical systems integration and governance, and the right answer is unclear at this time. A decision to change the Connector to a state entity might help to resolve some of the governance issues. On the other hand, the work to bring the Connector into the state could significantly divert attention and resources away from the decision about system integration before the deadline to use the federal funds. Those federal funds would be needed to finance that integration.

In addition, any deliberation on the future structure of the Connector should take into account the future changes and opportunities in the ACA. For example, states have the option starting in 2017 to allow large employers to acquire health insurance plans for their employees through the online marketplaces. Also, the ACA provides a limited opportunity for states to seek innovation waivers from certain portions of the federal law due to unique circumstances, starting in 2017. These and other potential changes could have a significant impact on how the Connector is governed, operated, and funded in the future.

These are just a few examples of the issues that need to be carefully examined in any deliberation about changing the structure of the Connector to become a state entity. We look forward to working with the Committee and the Legislature to provide information to assist in that discussion. Thank you for the opportunity to provide comment on this bill.



To: Committee on Health
Representative Della Au Belatti, Chair

Date: January 29, 2014, Conference Room 329, 8:45 a.m.

Re: **HB 2526 – RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE**

Chair Belatti and Committee Members:

AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. AARP fights on issues that matter to Hawaii families, including the high cost of long-term care; 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 strongly opposes HB 2526 - Relating to the Hawaii Health Insurance Exchange. This bill establishes the Hawaii Health Connector as a state entity as of 1/1/2015.

AARP has the following comments on the proposed amendments to Chapter 27, Hawaii Revised Statutes:

§ 27-B Establishment of the Hawaii health insurance exchange; purpose

AARP strongly opposes the transfer of the Hawaii Health Connector to the State, or making it a State entity. There has been insufficient due diligence to understand the impact of a transfer to the State. It is not in the public's interest to transfer the Connector to the State and find out after the fact that fiscal problems have been passed to the State and that the State is then faced with no alternative but to "bailout" the Connector.

Prior to such a transfer the Connector should be required to provide the Legislature with a 2015 Sustainability Report that provides details on how the Connector would generate revenue, control expenses, and increase enrollment. The report should also provide the amount and sources of revenues as well as the type and amount of expenses. The State should be required to make an assessment of the financial impact of the transfer of the Connector to the State. The Connector has received approximately \$205 million in federal taxpayer dollars for the development and operation of the Connector, and Hawaii residents should not be expected to subsidize the Connector now that it is operational and federal monies are not available.

§ 27-C Funding; Hawaii Health Connector Revolving Fund

AARP opposes the appropriation of fund to the Connector until a 2015 Sustainability Plan is submitted to the Legislature. After receipt and analysis of the 2015 Sustainability Plan the legislature should determine if funds should be appropriated.

§27-D Board of Directors; composition; operation.

AARP continues to oppose the inclusion of insurers and dental benefit providers on the board. AARP recommends that this section be revised to exclude insurers and dental benefit providers from the board. AARP has continually raised conflict of interest concerns at board meetings as conflicted board members have unduly influenced board voting on issues. While public and media

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scrutiny at recent board meetings caused board members to abstain from voting, they were nevertheless allowed to deliberate on issues. Excluding insurers and dental benefit providers will reduce conflict of interest concerns.

§27-E Board meetings; transparency.

AARP prefers the open meeting and notice provisions in HB2531, with applicability of these provisions to standing committees as well as board meetings.

Thank you for the opportunity to testify.



LATE

House Committee on Health
The Hon. Della Au Belatti, Chair
The Hon. Dee Morikawa, Vice Chair

Testimony House Bill 2526
Relating to Hawaii Health Insurance Exchange
Submitted by Robert Hirokawa, Chief Executive Officer
January, 29, 2014, 8:45 am, Room 329

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, would like to offer comments on House Bill 2526, which seeks to alter the board composition of the Hawaii Health Connector and make it a state entity.

There are a few key points that the HPCA would like to comment on. First is the concern that if the Connector is made a state entity, any financial burdens or debts incurred by the Connector will become the responsibility of the state taxpayers. While this is spoken to briefly in the bill, we would like clarity on how it could be ensured that the state would not consume such liabilities.

Also, the Board makeup as suggested by the bill would enable insurers to remain full voting members. This allows for a continued conflict of interest situation by enabling health insurance plans for be voting participants on issues that they have a direct financial stake in.

The HPCA thanks you for the opportunity to offer these comments.

**Testimony to the House Committee on Health
Wednesday, January 29, 2014 at 8:45 A.M.
Conference Room 329, State Capitol**

LATE

**RE: HOUSE BILL 2526 RELATING TO THE HAWAII HEALTH
INSURANCE EXCHANGE**

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

The Chamber of Commerce of Hawaii ("The Chamber") would like to **express concerns** regarding HB 2526 Relating to the Hawaii Health Insurance Exchange.

The Chamber is the largest business organization in Hawaii, representing over 1,000 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber's main concern is that whether the Hawaii Health Connector is a public or private entity, there is a large operational cost to sustain this. Our understanding is at the current year, the operation costs about \$7 million and that will be passed onto business.

On the matter of reorganization of the board, the Chamber believes that the Health Connector should maintain its existing board to ensure stability. Thank you for the opportunity to testify.

LATE**HB2526**

Submitted on: 1/29/2014

Testimony for HLT on Jan 29, 2014 08:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Wall	Community Alliance for Mental Health	Support	No

Comments: to: House Health Aloha Chair Belatti and members of the committee, On behalf of the Community Alliance for Mental Health along with United Self Help we support the passage of HB2526. The Health Connector should have been a state entity in the first place. Scott Wall VP/Legislative Advocate Community Alliance for Mental Health

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LATE**HB2526**

Submitted on: 1/28/2014

Testimony for HLT on Jan 29, 2014 08:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Marshall	Individual	Support	No

Comments: Support moving entity from private sector to become a state agency/ department

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