



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 2527, RELATING TO HEALTH INSURANCE ASSESSMENTS

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.

We appreciate the Legislature's efforts to develop strategies to sustain the Connector. At this time we are unable to take a position on this proposed approach.

Thank you for the opportunity to comment on this measure.



The Honorable Della Au Belatti
Chair, Committee on Health

Re: Testimony regarding H.B. 2527, Relating to the Health Insurers Assessments.

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.

The Connector Board sincerely appreciates the desire of the sponsors of HB 2527 to find an effective method to financially support the ongoing operations and sustainability of the Connector. We are grateful that members of the Legislature see the value of the Connector to provide the people of Hawai'i with an important 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 2527 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. In addition, we are committed to working closely with the Legislature and the State Administration to help understand the impact of the proposals in this bill on the Connector's operations, budget, and future sustainability.

We also understand that any decision on issuer fees to support the Connector must be balanced against the cost impacts on consumers, businesses, issuers, and the insurance market. As part of that policy discussion, it is up to us at the Connector to improve our operations and enrollment processes, and to continually demonstrate the value of our services to the public.

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



January 29, 2014
8:45am
Conference Room 329

To: The Honorable Della Au Bellati, Chair
The Honorable Dee Morikawa, Vice Chair
House Committee on Health

From: Robert Toyofuku, Government Affairs
Rachel Mark, Public Relations Associate
Paula Arcena, Sr. Director of Provider Services

Re: HB2527 Relating to Health Insurers Assessments

Thank you for the opportunity to testify on HB2527 which proposes to establish a sustainability fee for the Hawaii Health Connector.

AlohaCare appreciates and supports the need to find financial means to support the role of the Connector to offer affordable health insurance coverage to Hawaii's uninsured.

In its current form, HB2527 states that insurer fees will be based on a formula that excludes individuals with Medicaid health insurance coverage, which we support.

We suggest insurer fees also exclude individuals with Medicare health insurance. Medicare coverage can only be obtained *outside* of the Connector and does not contribute to the Connector's administrative costs.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

Thank you for this opportunity to testify.



To: Committee on Health
Representative Della Au Belatti, Chair

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

Re: **HB 2527 – RELATING TO HEALTH INSURERS ASSESSMENTS**

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 provides comments on HB 2527 - Relating to Health Insurers Assessments. This bill establishes a sustainability fee for the Connector.

AARP has the following comments on the proposed amendments to Chapter 435H, Hawaii Revised Statutes:

Prior to determining the appropriateness of a sustainability fee the Connector should be required to provide the Legislature with a 2015 Sustainability Report that provides details on how the Connector would generate revenues, 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 first make an assessment of the financial impact of the transfer of the Connector to the State, before any transfer is authorized. The Connector has received approximately \$205 million in federal taxpayer dollars for the development and implementation of the Connector, and Hawaii residents should not be “left holding the bag” and assessed a fee to “bail-out” the Connector when federal funds are not available, or if the board failed in its fiduciary duty to develop an appropriate sustainability plan.

If a sustainability fee becomes necessary a process must be established that requires a management and financial audit to evaluate the appropriateness of the amount of funds provided to the Connector. Without such audits there is little incentive for the Connector to generate revenues, control expenses or increase enrollment. Without any accountability by the Connector for revenues and expenses it becomes too convenient for the Connector to rely on a sustainability fee for ongoing operations. This fee that is assessed on insurers would be passed on to the consumer by way of higher insurance premiums. The consumer would be the clear loser.

Thank you for the opportunity to provide testimony.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

LATE

January 29, 2014

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

Re: HB 2527 – Relating to Health Insurers Assessments.

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2527, which authorizes the State Insurance Commissioner to assess a fee on all health insurers to finance the operations and cash reserve of the Hawaii Health Connector. HMSA supports this Bill.

The Affordable Care Act (ACA) mandates health insurance exchanges to be self-sustaining beginning in January 2015. To address this, the Hawaii Health Connector (Connector) authorized a two percent rate increase on all health plans sold to individuals only through the Connector beginning January 1, 2014, and an additional two percent rate increase on all plans sold to small businesses only through the Connector, beginning July 1, 2014.

While those rates only apply to plans sold through the Connector, the ACA requires us to sell our products outside of the Connector at the same price as we sell them through the Connector. Consequently, those insurers who do not sell products through the Connector are afforded a competitive advantage in the market outside of the Connector. And, there simply is no incentive for issuers to participate in the Connector, resulting in reduced competition in the Connector.

The long-term sustainability plan for the Connector must promote competition, while ensuring equity amongst the competitors. HB 2527 offers that balanced sustainability model. The State Insurance Commissioner already is tasked with ensuring a competitive health insurance market with reasonable rates for consumers. Allowing the Commissioner to set rates annually to finance the Connector further would ensure Hawaii can maintain a competitive health insurance market with reasonable rates, while sustaining the health insurance exchange market.

Thank you for the opportunity to testify in support of HB 2527.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal stroke extending to the right.

Jennifer Diesman
Vice President
Government Relations



LATE

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

Testimony on House Bill 2527
Relating to Hawaii Health Insurers Assessments
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, supports House Bill 2527, which levies a sustainability fee for the Hawaii Health Connector on all insurance plans within the state.

The Hawaii Health Connector was formed as a health insurance exchange under the Affordable Care Act, which provided federal dollars for its construction and initial implementation. In addition, the Act charged health exchanges with providing an open and accessible marketplace for all consumers to compare and purchase health insurance. If different fees are assessed to those plans offering products in or out of the Connector, it prohibits equal footing purchasing from occurring. Plans are discouraged from participating in the Connector by the assessment of heavier fees. This prohibits both the Connector from achieving the original intent of its creation as well as consumers from achieving maximum purchasing leverage.

Thank you for the opportunity to testify.

**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 2527 RELATING TO HEALTH INSURERS ASSESSMENTS

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

The Chamber of Commerce of Hawaii ("The Chamber") **expresses concerns** regarding HB 2527 Relating to Health Insurers Assessments.

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.

Our understating is that at the current year, the Hawaii Health Connector presently costs about \$7 million a year to operate. While we understand that per federal law the Connector has to be sustainable, we would suggest that the legislature look into the operational costs of the connector while moving this bill for continued discussion.

Thank you for the opportunity to testify.

HB2527

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 HB2527. The passage of this measure is necessary for the successful health care transformation the state is pursuing. Scott Wall VP/Legislative Advocate Community Alliance for Mental Health

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Hawaii health connector sustainability fee

BILL NUMBER: HB 2527

INTRODUCED BY: McKelvey, Belatti, Evans, Luke, Nishimoto, Saiki

BRIEF SUMMARY: Adds a new section to HRS chapter 435H to providing that beginning on July 1, 2015, and each July 1 thereafter, the insurance commissioner shall assess a Hawaii health connector sustainability fee upon each insurer, on a pro rata basis, based upon the number of individuals covered by each insurer on the preceding December 31, excluding individuals covered under Medicaid. The fee may be assessed on each dental insurer at a level up to ____% of the fee assessed on all other insurers. The total of all revenues collected from the fee shall not exceed the amount of funding required to finance the operations and cash reserve of the Hawaii health connector.

Establishes a special subaccount within the compliance resolution fund to be designated as the Hawaii health connector sustainability special subaccount into which all moneys from the connector sustainability fee shall be deposited. Moneys from the subaccount shall only be used to support the administration, operations, and prudent cash management of the Hawaii health connector.

By April 1 of each year, the board of directors of the connector shall inform the insurance commissioner of the amount of funding required to finance the operations and cash reserve of the connector for each ensuing fiscal year beginning on July 1; provided that the balance of the cash reserve does not exceed the value of the cost of three months of administering and operating the connector.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: The Patient Protection and Affordable Care Act mandates health insurance exchanges to be self-sustaining beginning in January 2015. The Hawaii health connector authorized a 2% rate increase on all health plans sold to individuals through the connector beginning January 1, 2014. The connector further authorized an additional 2% rate increase on all plans sold to small businesses through the connector beginning July 1, 2014. However, it appears that the additional connector fee applies only to insurers that sell products through the connector. The federal act requires those insurers to price their products sold outside of the connector at the same level as the products sold through the connector. As a result, insurers that only sell plans outside of the connector do not bear the burden of having the prices of their products increased by the connector fee. While it appears that this measure would authorize the insurance commissioner to assess a fee on **all** insurers selling plans, both inside and outside of the health insurance exchange, it would appear that the added fee would add to the cost of products sold by all insurers whether they are inside or outside of the health insurance exchange. If the intent is to equalize the cost of such products sold by insurers, then the fee should only be imposed on those insurers selling plans outside of the exchange.

In addition, it should be noted that the amount of the fee, as proposed in this measure, will fluctuate depending on the number of individuals covered by each insurer in the prior year; provided the amount of the revenues collected from the fee does not exceed the amount required to finance operations and cash reserves of the connector. While it appears that the Hawaii health connector has experienced two rate increases, and another possible rate increase due to the adoption of the measure, these fees will add to the cost of the products sold by insurers, ratcheting up the cost of health care in the state. As an alternative, consideration should be given to appropriating funds to this program area to ensure that it will be adequately funded.

Digested 1/28/14