



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

April 4, 2013

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **S.C.R. 153, S.D.1/S.R. 112, S.D.1 – URGING CONSIDERATION OF
MEDICAID EXPANSION AS A VIABLE SOLUTION TO PROVIDE
INSURANCE COVERAGE FOR HAWAII RESIDENTS WITH INCOME
BETWEEN ONE HUNDRED THIRTY THREE PERCENT AND TWO
HUNDRED PERCENT OF THE FEDERAL POVERTY LEVEL**

Hearing: Thursday, April 4, 2013; 9:50 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of this resolution is to urge consideration of expanding Medicaid to provide insurance coverage for Hawaii residents with income between one hundred thirty-three percent to two hundred percent of the federal poverty level (FPL).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments on S.C.R.153, S.D.1/S.R. 112, S.D.1. Providing the Medicaid expansion proposed in these resolutions will require substantial additional general funds and a very substantial loss of federal funds.

The Affordable Care Act (ACA) creates a new avenue for individuals to access affordable health insurance which is subsidized based on income (with no asset limit) by

the federal government and does not require any State funding. Individuals whose income is between 138% and 400% of the FPL will be eligible for Advance Premium Tax Credits and cost share reductions on a sliding scale based on income. The Department believes directing these individuals to the insurance exchange will allow the State to maximize available federal funds, providing medical coverage to individuals, and providing higher reimbursements to providers other than Medicaid.

An actuarial report commissioned by the Department of Commerce and Consumer Affairs, estimates that the monthly premium a 40-year old non-smoker at 138% FPL would be \$282 for a silver qualified health plan purchased through the health insurance exchange. The individual would also receive a federal advance premium tax credit of \$232 and subsequently pay a monthly premium of \$50. On average, the individual would have \$85 per month in cost sharing but would receive a cost sharing reduction of \$60 so they would only be expected to pay up to \$25 per month if they accessed medical services. Therefore the federal subsidy is estimated to be \$292 per month of new federal funding. The DHS would pay nothing for an individual enrolled in a qualified health plan through the health insurance exchange.

If Medicaid expanded the monthly capitation payment for the same individual, it is estimated to be \$213.91 of which approximately 51.85% or \$110.91 is federally funded. By moving individuals in this FPL bracket (between 133% and 200% of FPL) out of the health insurance exchange and into a Medicaid expansion, Hawaii would lose approximately \$181.09 per individual per month ($\$292 - \110.91). With an estimated 25,000 such individuals, the total federal funding loss will be \$54,327,000 per year. In

addition, the DHS would require a new general fund appropriation of \$30,900,000 per year.

Effective July 1, 2012 in preparation for the implementation of the Affordable Care Act, the income eligibility limit for Hawaii's Medicaid program was reduced to 133% FPL and the asset limit was increased, e.g. for an individual from \$2,000 to \$5,000. The income eligibility limit reduction affected only non-pregnant adults in the QUEST-ACE or QUEST-Net programs. The Department continues to provide coverage for pregnant women up to 185% FPL and children up to 300% FPL.

The Department will continue discussions with the community to review options available to try to address concerns while keeping in mind the severe fiscal impact to the State should the Medicaid eligibility is expanded as proposed in these resolutions.

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

Senate Committee on Ways and Means

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

Testimony on SCR153 SD1

Urging consideration of Medicaid expansion as a viable solution to provide insurance coverage for Hawaii residents with income between one hundred thirty-three percent and two hundred percent of the federal poverty level.

Submitted by:

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I write in support of SCR153 SD1.

With the reduction of income eligibility for Medicaid coverage from 200% of the Federal Poverty Level to 133%, a “gap group” of individuals who will have difficulty obtaining health coverage was formed. While these individuals will have access to subsidies in the Hawaii Health Connector, most of them are members of the working poor and may still have trouble meeting the costs (including premiums and co-payments) associated with the purchase and use of a commercial insurance product.

Given their living, financial, and work situations, the poor often have poorer health and, therefore, require regular access to quality health care. If they were to have lapses in insurance coverage due to an inability to meet the costs associated with their insurance, their health may deteriorate even further and require even more expensive interventions. Medicaid expansion back to 200% of the Federal Poverty Level will allow this group to obtain needed health care leading to improved quality of life and economic productivity.

Thank you for the opportunity to testify.