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To: Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair

Date: February 5, 2014, Conference Room 229, 9:00 a.m.

Re: **SB 2471 – RELATING TO TAXATION**

Chair Baker 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 SB 2471 - Relating to Taxation. This bill would levy a tax of two-thirds of one percent on the gross health insurance premiums of qualified health and dental plans.

A sustainability tax should not be used to appropriate funds to the Connector unless the State first performs the proper due diligence as to whether funds are needed in 2015, and an audit is performed to determine how the federal funds received were used. AARP recommends the following:

1. Prior to the imposition of a tax and the establishment of a rate, 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 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.

2. If a sustainability tax becomes necessary a process must be established that requires a management and financial audit to evaluate the appropriateness of a sustainability tax and the amount of funds provided to the Connector. All funds requested should be justified and the proposed $15 million maximum allocation without appropriate justification is not in the best interest of the public.

   Without an audit and justification the Connector has little incentive 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 tax for ongoing operations and request the maximum allocation allowed by statute. This tax 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.

1132 Bishop St., #1920, Honolulu, HI 96813