



David Y. Ige  
GOVERNOR  
EXECUTIVE CHAMBERS  
HONOLULU

To: HOUSE COMMITTEE ON FINANCE  
Chair Sylvia Luke  
Vice Chair Scott Nishimoto

From: Beth Giesting, Office of the Governor

Hearing: March 01, 2016 3:00 p.m., Room 308

**House Bill 2478: Relating To the Affordable Care Act  
Section 1332 State Innovation Waiver**

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Chair Luke, Vice Chair Nishimoto, and members of the Committees: My name is Beth Giesting and I am testifying **in support** of this measure as the chair of the Hawai'i ACA State Innovation Waiver Task Force.

In 2014, the Legislature created a task force to develop an ACA State Innovation Waiver for Hawai'i. One of the main concerns for the Legislature was the effect of ACA-mandates and marketplaces on Hawai'i's long-standing Prepaid Health Care Act and its requirements for employer-sponsored insurance.

The task force has met regularly since 2014 to assess each of the provisions of the ACA that may be waived. These are identified in Section 1332, as follows:

- Insurance exchanges
- Health insurance benefits and costs
- Individual and employer responsibilities
- Tax credits to make insurance affordable

Further federal guidance specifies that, compared to ACA requirements, waivers may not result in:

- Fewer people having coverage
- Less affordable coverage
- Less comprehensive benefits
- Increased costs or reduced revenues to the federal government

**Section 1332 also requires that State Legislatures sanction the application and implementation of a waiver, which would be accomplished by passing this bill.**

The task force determined that, to the extent possible, Hawai'i's waiver should align ACA provisions with the Prepaid Health Care Act's requirements and processes. Accordingly, the task force recommends waiving seven provisions, which will result in:

- Maintaining employer-sponsored benefits that conform to Prepaid; and
- Allowing Hawai'i to forego either developing and maintaining a Small Business Health Insurance Options Program (SHOP) or participating in such an exchange hosted by the federal government.

The seven provisions are outlined below and in the current draft proposal, which is available at: <http://governor.hawaii.gov/wp-content/uploads/2014/12/Hawaii-ACA-Innovation-Waiver-Proposal-DRAFT-2-15-2016.pdf>

The ACA allows states to implement waivers no sooner than January 1, 2017, which, with legislative approval this session, is a feasible timeframe for the proposed waiver.

Thank you for the opportunity to testify in support of this measure.

<b>ACA Provisions to be Waived in Hawai'i Proposal</b>	
<b>§1301(a)(1)(C)(ii) requires silver level benefits to be provided by every Qualified Health Plan</b>	A waiver is sought because the actuarial value of Prepaid plans must be gold or platinum. Silver level plans are not allowed.
<b>§1301(a)(2) requires co-ops and multi-state plans to be available to consumers</b>	A waiver is sought because such plans would be less likely to meet Prepaid requirements and, being headquartered out of state, would be harder to regulate and monitor.
<b>§1304 (b)(4)(D)(i) and (ii) addresses continuation of participation in a SHOP exchange for growing small employers</b>	This provision would be moot under Hawai'i's proposal to waive SHOP.
<b>§1311 (b)(1)(B) requires the establishment of a SHOP Exchange</b>	A waiver is sought because small businesses purchase insurance outside of it now, are uninterested in using it in future, and building and maintaining it would add costs without benefits.
<b>§1311 (f)(3)(B) identifies authorized entities responsible for exchange functions</b>	A waiver is sought to authorize state entities other than the state Medicaid agency to carry out responsibilities to support the individual exchange.
<b>§1312 (a)(2) requires employee choice in a SHOP exchange</b>	A waiver is sought because the cost of creating a system that would support it outweighs the resulting benefits.
<b>§1312 (f)(2)(A) defines "qualified employer" for purposes of participating in SHOP</b>	A waiver is sought because, if SHOP is waived, there will be no "qualified employer."



DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
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DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2016

Tuesday, March 1, 2016  
3:00 p.m.

Agenda #4

**TESTIMONY ON HOUSE BILL NO. 2478 – RELATING TO THE AFFORDABLE CARE ACT SECTION 1332 STATE INNOVATION WAIVER.**

TO THE HONORABLE SYLVIA LUKE, 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 this bill and submits the following comments.

Section 1332 of the Affordable Care Act (“ACA”) allows states to apply for a state innovation waiver to implement innovative ways to provide access to quality health care that is at least as comprehensive, affordable, and provides coverage to a comparable number of residents of the state as would be provided coverage absent a waiver. Due to the success of the Hawaii Prepaid Healthcare Act, the participation from small employers in SHOP was not significant enough to sustain a continued SHOP Marketplace. Small employers will continue to meet the employer-mandate of the Prepaid Healthcare Act through the direct enrollment marketplace.

On December 4, 2015, the Hawaii Health Connector’s (“Connector”) staff were terminated due to budget issues. The Department supports this measure that would enable the State to seek a waiver from ACA requirements, where appropriate, which should also assist with the transition from the Connector model.

We thank this Committee for the opportunity to present testimony on this matter.

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

LEONARD HOSHIJO  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 29, 2016

To: The Honorable Sylvia Luke, Chair,  
The Honorable Scott Y. Nishimoto, Vice Chair, and  
Members of the House Committee on Finance

Date: Tuesday, March 1, 2016  
Time: 3:00 p.m.  
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. No. 2478 Relating to the Affordable Care Act**  
**Section 1332 State Innovation Waiver**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

My name is Linda Chu Takayama and I am the Director of DLIR. We are in strong support of this measure.

Over 42 years, Hawaii's unique Prepaid Healthcare Act has resulted in 93% health insurance coverage of our residents with top quality benefits at among the lowest premiums in the nation without the necessity of funding by the Federal government or the State.

More recently, a part of the Federal Affordable Care Act (ACA) was implemented in Hawaii with the 2014 plan year through a private, non-profit called the Hawaii Health Connector, which ceased operations late last year. Since then, the State has been struggling to comply with the federal mandates at substantial costs in time and funds.

In 2017, the Federal program will change, eliminating exemptions that had allowed us to use Prepaid plans for the majority of our employer-based health insurance. Federal staff have indicated they do not contemplate accommodating the distinct features of the Prepaid system within the Federal exchange environment.

HB 2478  
March 1, 2016  
Page 2

Therefore, to preserve Prepaid as the safety net that has served Hawaii so well, it would be prudent to seek a waiver from those Federal requirements that jeopardize its continued utility to the State.

Thank you for the opportunity to testify.

The Twenty-Eighth Legislature  
Regular Session of 2016

HOUSE OF REPRESENTATIVES  
Committee on Finance  
Rep. Sylvia Luke, Chair  
Rep. Scott Y. Nishimoto, Vice Chair  
State Capitol, Conference Room 308  
Tuesday, March 1, 2016; 3:00 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2478  
RELATING TO AFFORDABLE CARE ACT SECTION 1332  
STATE INNOVATION WAIVER**

The ILWU Local 142 **supports** H.B. 2478, which authorizes the State to submit and implement a waiver from certain provisions of the Patient Protection and Affordable Care Act of 2010.

Since 1974, the Prepaid Health Care Act has helped to ensure health care coverage for most of Hawaii's residents. This employer mandate has meant a low uninsured population, which is among the lowest in the country.

When the Affordable Care Act was enacted in 2010, Hawaii's uninsured rate may have been misstated, causing the State to believe that a state exchange could succeed. However, it became painfully apparent in 2015 that enrollment numbers would not be sufficient to allow the state exchange, called the Hawaii Health Connector, to be financially sustainable. Ironically, the Prepaid Health Care Act, a model for the nation, was seen as the reason for the Hawaii Health Connector's failure.

H.B. 2478 seeks to authorize the State to submit and implement a waiver from certain provisions of the Affordable Care Act in order to protect and preserve Hawaii's Prepaid Health Care Act. This is vital. We cannot allow a good law that has served Hawaii well for more than 40 years to become the victim of unintended consequences.

The ILWU urges passage of H.B. 2478. Thank you for the opportunity to testify on this measure.



**March 1, 2016 at 3:00 PM**  
**Conference Room 308**

**House Committee on Finance**

To: Chair Sylvia Luke  
Vice Chair Scott Y. Nishimoto

From: George Greene  
President and CEO  
Healthcare Association of Hawaii

Re: **Testimony in Support**  
**HB 2478, Relating to the Affordable Care Act Section 1332 State Innovation Waiver**

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 180 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

We would like to thank the committee for the opportunity to **support** HB 2478, which would authorize the State to submit an innovation waiver to the federal government to waive certain provisions of the *Affordable Care Act (ACA)*, as provided under section 1332 of that act.

This waiver, often referred to as the 1332 waiver, is an important tool that allows states to amend provisions of the *ACA* to better support unique circumstances that exist in their healthcare market. With the passage of Act 158 (SLH 2014), the Healthcare Association of Hawaii was an active participant in the deliberations of the State *ACA* Innovation Waiver Task Force, and concurs with the recommendations made by the task force.

Thank you for your consideration of this important matter.



An Independent Licensee of the Blue Cross and Blue Shield Association

March 1, 2016

The Honorable Sylvia Luke, Chair  
House Committee on Finance  
The Honorable Scott Nishimoto, Vice-Chair  
House Committee on Finance

**Re: HB 2478 – Relating to the Affordable Care Act Section 1332 State Innovation Waiver**

Dear Chair Luke, Vice-Chair Nishimoto, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to offer testimony in support of HB 2478, which authorizes the state to submit and implement a waiver from certain provisions of the Affordable Care Act (ACA) of 2010.

Since 2014 the State Innovation Waiver Task Force (SIWTF) has diligently addressed the challenges our state faces in balancing the requirements of the Patient Protection and Affordable Care Act (ACA) with our own State Prepaid Health Care Act (PHCA). However, in order to preserve this balance and maintain the successful foundation of PHCA, the SIWTF has come to agreement on submitting a formal state innovation waiver in order to accomplish the following:

- (1) Maintain access to affordable health insurance coverage for individuals via the state-based exchange utilizing the federal platform;
- (2) Align the Affordable Care Act with the Hawaii Prepaid Health Care Act's requirements for private employers to the extent allowable; and
- (3) Waive the Affordable Care Act Small Business Health Options Program and its requirements for the small business marketplace, including the employee choice provision.

We believe the Task Force has done its due diligence in vetting these goals with key stakeholders from around the state as well as legislative and executive branch policymakers. Passage of HB 2478 allows Hawaii to lead the nation as one of the first states to formally ask for a 1332 waiver and in the process emphasizes the benefits of the PHCA.

Thank you for allowing us to testify in support of HB 2478.

Sincerely,

Jennifer Diesman  
Vice President, Government Relations





# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Finance  
Tuesday, March 1, 2016 at 3:00 P.M.  
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2478 RELATING TO THE AFFORDABLE CARE ACT SECTION  
1332 STATE INNOVATION WAIVER**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2478, which authorizes the State to submit and implement a waiver from certain provisions of the Patient Protection and Affordable Care Act of 2010.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 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.

We support the bill's proposal to help remove the Small Business Health Options Program requirements, which we do not believe is financially sustainable. We do prefer using the 7 Essential Health Benefits which match the existing prepaid healthcare benefits, as costs are likely to escalate with more benefits, but also understand the need for the waiver to be successful in the process.

Thank you for the opportunity to testify.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 29, 2016 1:16 PM  
**To:** FINTestimony  
**Cc:** laurie.field@ppvnh.org  
**Subject:** \*Submitted testimony for HB2478 on Mar 1, 2016 15:00PM\*

**HB2478**

Submitted on: 2/29/2016

Testimony for FIN on Mar 1, 2016 15:00PM in Conference Room 308

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Laurie Field	Planned Parenthood Votes Northwest and Hawaii	Support	No

**Comments:**

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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To: The Honorable Sylvia Luke, Chair  
The Honorable Scott Y. Nishimoto, Vice Chair  
Members, Committee on Finance

From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems

Date: February 29, 2016

Hrg: House of Representatives Committee on Finance Hearing; Tuesday, March 1, 2016 at  
3:00 PM in Room 308

Re: **Support for HB 2478, Relating to the Affordable Care Act Section 1332 State  
Innovation Waiver**

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The Queen's Health Systems would like to express strong support for HB 2478, relating to the *Affordable Care Act* Section 1332 State Innovation Waiver.

The *Affordable Care Act (ACA)* has transformed the delivery of health care services across the nation by helping millions of Americans access the care and coverage they need. Section 1332 of the ACA provides the opportunity for states to apply for a State Innovation Waiver, which allows states to implement their own health reform approaches to best fit the needs of their residents while still retaining the basic protections of the ACA.

The State of Hawaii has a long and successful history of health care coverage for our residents, due in large-part to the Prepaid Health Care Act ("Prepaid"). The misalignment of provisions under the ACA with Prepaid, jeopardizes the robust insurance coverage for thousands of employed workers across the state. By utilizing the 1332 Waiver, we are ensuring alignment with the basic requirements for coverage set by the ACA, while retaining the long-standing and superior coverage under Prepaid.

We urge you to support HB 2478. Thank you for your time and consideration of this matter.

*The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.*

TO: Members of the Committee on Finance

FROM: Natalie Iwasa, President  
Natalie J. Iwasa, CPA, Inc.  
Honolulu, HI 96825  
808-395-3233

HEARING: 3 p.m. Tuesday, March 1, 2016

SUBJECT: HB 2478 Relating to the Affordable Care Act - **COMMENT**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB 2478, which seeks waivers under the federal Affordable Care Act (ACA). I work full time for my corporation and am the only employee. Under Hawaii's Prepaid Healthcare Act, my corporation is required to provide health insurance for me. The policy covers me, my husband and two sons.

When my plan came up for its annual renewal almost two years ago, my premiums were **scheduled to increase over 50%** (\$7,000+ per year) to \$21,600, simply because my husband is above a certain age, and the ACA allows **age-based premiums** rather than experience-based. We would qualify for federal tax credits, except that the ACA does not allow any credits for people in my position, i.e., as an employee of my own company, I am not eligible for any ACA credits. Fortunately, my plan was "grandmothered" in, and my premiums only increased about 6%.

Please consider **requiring health insurance premiums to be based on experience** rather than age. Simply because someone has reached a certain age does not mean that person is more of a risk. If necessary to correct this unfairness, please amend this bill.