



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEES ON HEALTH AND
CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Monday, March 23, 2015
2:00 p.m.

**TESTIMONY ON SENATE BILL NO. 1338, S.D. 2 – RELATING TO THE HAWAII
HEALTH CONNECTOR.**

TO THE HONORABLE DELLA AU BELATTI AND ANGUS L.K. McKELVEY, CHAIRS,
AND MEMBERS OF THE COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department takes no position on the bill, and submits the following comments on this bill.

The purposes of this bill are to: enable the Hawaii Health Connector ("Connector") to offer large group coverage to insurers beginning on January 1, 2017; end transitional renewal health insurance policies beginning January 1, 2016; require health insurers to provide notice to group health plans offering continuation coverage about options to secure coverage through the Connector; and amend the current definition of "small employer" under section 431:2-201.5, Hawaii Revised Statutes.

The Department notes that amending the definition of small employer to increase the number of employees, and ceasing transitional renewal health policies will subject certain businesses to rate increases due to the elimination of the use of loss experience in rating. These increases could be significant.

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



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Health

The Hon. Della Au Belatti, Chair

The Hon. Richard P. Creagan, Vice Chair

House Committee on Consumer Protection & Commerce

The Hon. Angus L.K. McKelvey, Chair

The Hon. Justin H. Woodson, Vice Chair

Testimony on Senate Bill 1338 SD2

Relating to the Hawaii Health Connector

Submitted by Nani Medeiros, Public Affairs and Policy Director

March 23, 2015, 2:00 pm, Room 325

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers (FQHC) in Hawaii, supports Senate Bill 1338, which calls for a number of measures to strengthen the Hawaii Health Connector.

The HPCA supports changing the definition of “small employers” in Hawaii from 50 to the nationally accepted threshold of 100 employees. Such measures will encompass a greater number of businesses in the state, providing a stronger Connector and a better marketplace for consumers.

Thank you for the opportunity to testify and we look forward to further discussion on this important matter.



**Comments to the Committee on Health
And the
Committee on Consumer Protection and Commerce
Monday, March 23, 2015
2:00 p.m.
Conference Room 325**

**RE: SENATE BILL 1338 DD2
RELATING TO THE HAWAII HEALTH CONNECTOR**

Chair Bellati, Vice Chair Creagan, and Members of the Committee:

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

We appreciate your efforts to assure there are affordable healthcare options for the people of Hawaii. Thank you for the opportunity to submit comments.

I. BACKGROUND

ProService Hawaii provides employee administration services to over 1,200 small businesses in Hawaii, representing over 20,000 employees in Hawaii. As a professional employer organization (PEO), we ensure that our clients remain compliant with Federal and State employment and labor laws, while allowing them to focus on their core business, providing needed and valuable services to the people and the economy of the State. In addition, we ensure that our clients' employees receive timely payment of wages, workers' compensation, TDI and benefits coverage. We also provide HR training and services, dispute resolution, and safety services to our clients and our clients' employees.

We support the efforts of this legislative body to explore the options in the ACA, as it is in this state's and our industry's best interests to have well-priced coverage options serving the community. We support the intent of ensuring the most affordable options are accessible to all. We are providing comments to obtain clarification on the intent of the bill's provisions.

II. SUMMARY OF CONCERNS

1. INCREASING SMALL GROUP SIZE. This follows the Federal law. For Hawaii, does this require, that all small groups, including those sized 50-99 in 2016, will now have to be age-banded if they purchase their health plans through the Connector? If these historically mid-sized groups will now follow the small group rate rules and be rated based on age only (each employee

has a different rate based on his or her age), many groups with an older workforce may see a large rate increase. Since rates must be the same inside and outside of the Connector, this would cause much disruption in the market for the employers that will now be classified as a small group

2. **ELIMINATING TRANSITIONAL RELIEF PLANS.** What is the primary intent of ending the transitional relief prior to the Federal requirement? Ending transitional relief prior to the Federal requirement will likely cause disruption especially in the employer market. It will eliminate a viable, affordable health care plan option to many Hawaii businesses. It will also increase costs for many businesses that have to replace their transitional plans with plans with the mandated benefits required under the ACA. More discussion is needed because the bill notes "Beginning January 1, 2016, the State shall cease permitting transitional renewal policies issued by insurers". Does this mean that all transitional plans will cease on January 2016, regardless if the renewal is in the middle of its plan year or if the transitional plan will expire upon its first open enrollment after January 2016? If the intent is to end all transition plans on Jan. 2016, this will likely cause mass disruption. If the intent is to allow transitional plans to expire upon its first renewal date after Jan. 2016, this will allow a more orderly transition, allowing group subscribers, and issuers to plan and budget for the changes.

3. **LARGE GROUP BUYING FROM THE CONNECTOR.** The bill's language states that large employers be "allowed" to purchase coverage through the Connector. What is the committee's intent to require the Connector to build its capability to support large group coverage?

III. CONCLUSION

We respectfully ask that: (1) There be more opportunity for public comment and discussion; (2) Clarification be made on purpose of ending transitional relief; (3) Further consideration of the likely rate-disruption for large groups being re-classified as small groups be completed. Thank you for the opportunity to submit comments.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Health and Committee on Consumer
Protection & Commerce
Monday, March 23, 2015 at 2:00 P.M.
Conference Room 325, State Capitol**

**RE: SENATE BILL 1338 SD2 RELATING TO THE HAWAII HEALTH
CONNECTOR**

Chairs Belatti and McKelvey, Vice Chairs Creagan and Woodson, and Members of the Committees:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** SB 1338 SD2, which among other things expands the potential small business market in the connector by amending the current definition of "small employer" under section 431:2-21.5, Hawaii Revised Statutes.

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 oppose the change in the definition of small employer to up to 100 employees. We believe that this will create another disruption to the marketplace and small businesses. Many small businesses may see their rates **increase due to age rating** and other factors.

We respectfully ask the committee to defer this measure. Thank you for the opportunity to testify.



An Independent Licensee of the Blue Cross and Blue Shield Association

March 23, 2015

The Honorable Della Au Belatti, Chair
House Committee on Health
The Honorable Angus L. K. McKelvey, Chair
House Committee on Consumer Protection and Commerce

Re: SB 1338, SD2 – Relating to Hawaii Health Connector

Dear Chair Au Belatti, Vice Chair McKelvey and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1338, HD2. HMSA has comments on this Bill.

“Small Employer” Definition and Large Employers

The Bill changes the definition of a “small employer” to include a company with up to 100 employees. And, the Bill mandates large group coverage thru the Connector beginning January 1, 2017. We believe that these provisions should not be mandated in statute. Rather, to the extent allowed under the Affordable Care Act, the Insurance Commissioner should be afforded the flexibility in determining the markets that the Connector serves. Contemporaneous consideration must be given to overall market conditions in 2017 to determine (1) whether a change would disrupt and undermine an already successful large employer market; (2) how the change would impact how plans are required to rate (i.e., age-rating), and (3) whether the required investment in time and money needed to accommodate any changes is appropriate.

Termination of Transitional Plans

We also are concerned with the provision in this Bill that calls for the termination of the transitional “grand-mothered” plans on January 1, 2016. The President’s decision to authorize grand-mothered plans was to honor his commitment to allow people to continue to have the health insurance plans they had prior to the implementation of the ACA. It gave people the option to continue the plans they already enjoyed or to purchase an ACA plan. This Bill is not consumer friendly in that it reduces the number of options available, particularly to small businesses.

Thank you for the opportunity to testify on SB 1338, HD2. Your consideration of our concerns is appreciated.

Sincerely,

Mark K. Oto
Director
Government Relations



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of George Szigeti
President & CEO
HAWAI'I LODGING & TOURISM ASSOCIATION
House Committees HLT/CPC
Hearing on March 23, 2015, 2:00 p.m.
SB 1338 SD 2 Relating to the Hawai'i Health Connector

Dear Chairs, Vice Chairs, and Members of the Committees. My name is George Szigeti and I am the President and CEO of the Hawai'i Lodging & Tourism Association.

The Hawai'i Lodging & Tourism Association (HLTA) is a statewide association of hotels, condominiums, timeshare companies, management firms, suppliers, and other related firms that benefit from and strengthen Hawai'i's visitor industry. Our membership includes over 150 lodging properties, representing over 50,000 rooms, and over 400 other Allied members. The visitor industry was responsible for generating \$14.9 billion in visitor spending in 2014 and supported 170,000 jobs statewide – we represent one of Hawai'i's largest industries and a critical sector of the economy.

On behalf of HLTA, permit me to offer this testimony regarding SB 1338 SD 2 relating to the Hawai'i Health Connector which among other provisions offers to expand the potential small business market in the Hawai'i Health Connector by amending the current definition of "small employer" in section 431:2-201.5, Hawaii Revised Statutes.

The Hawai'i Lodging and Tourism Association **opposes** the amendment to the definition of "small employer", which stated in Section 1 of the bill, is to read up to 100 employees. We believe that this change will create another disruption to the marketplace and to small businesses, many of which may see their rates increase due to age rating and other factors.

For this reason we respectfully ask that this measure be deferred.

Thank you for this opportunity to testify.



HEARING BEFORE THE HOUSE COMMITTEE ON HEALTH AND
THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

**TESTIMONY IN OPPOSITION OF SB1338 SD2
RELATING TO THE HAWAII HEALTH CONNECTOR**

Hawaii State Capitol,
Conference Room 325

March 23, 2015

2:00 PM

Chairs Belatti and McKelvey, Vice Chairs Creagan and Woodson, and Members of the Committees:

The Maui Chamber of Commerce **opposes** SB 1338 SD 2, which among other things expands the potential small businesses market in the connector by amending the current definition of "small employer" under section 431:2-201.5, Hawaii Revised Statutes.

The Maui Chamber of Commerce believes in a creating a strong economic environment that supports job growth while also protecting our environment and preserving our quality of life. We have approximately 500 members, 95% of whom are small businesses with 25 or fewer employees.

We oppose the change in the definition of small employer to up to 100 employees. We believe that this will create another disruption to the marketplace and small businesses. Many small businesses may see their rates **increase due to age rating** and other factors.

We respectfully ask the committee to defer this measure. Thank you for the opportunity to testify.

Thank you for the opportunity to testify.

Sincerely,

Pamela Tumpap
President