



An Independent Licensee of the Blue Cross and Blue Shield Association

LATE

February 4, 2016

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services
The Honorable Rosalind H. Baker, Chair
Senate Committee on Commerce, Consumer Protection
and Health

Re: SB 2330 – Relating to the Hospital Sustainability Program

Dear Chair Chun Oakland, Chair Baker, and Members of the Committees:

The Hawaii Medical Association (HMSA) appreciates the opportunity to testify on SB 23330, which appropriate funds for the Hospital Sustainability Program and amends the Program reimbursement rates for private hospitals. HMSA has concerns with the Bill as drafted, and we would appreciate the opportunity to consult with the proponents to address those issues.

HMSA certainly appreciates and supports the concept behind the Hospital Sustainability Program. That said, the draft of this Bill raises concerns for health plans. Of particular concern is the provision on Page 11, Lines 12 thru 15, which requires

(5) Payments made by the medicaid managed care health plans shall be made within ten business days upon receipt of monthly capitation rates from the department.

We are concerned about how this requirement may be effectively executed. Currently, plans estimate the amount of funds that should be paid each month to the hospitals because plans are not provided the specific amount to pay. It is unclear as to who will advise health plans on how much to pay each hospital when the plans receive their monthly payments.

An additional concern is the ACA Insurer Tax liability on the funds the plans receive. These amounts are included in the Internal Revenue Service ACA Insurer Tax assessment and the health plan's federal tax liability. We are concerned that the plans will have to bear the burden of the tax liability, even though plans only receive funds which are "passed through" to the hospitals.

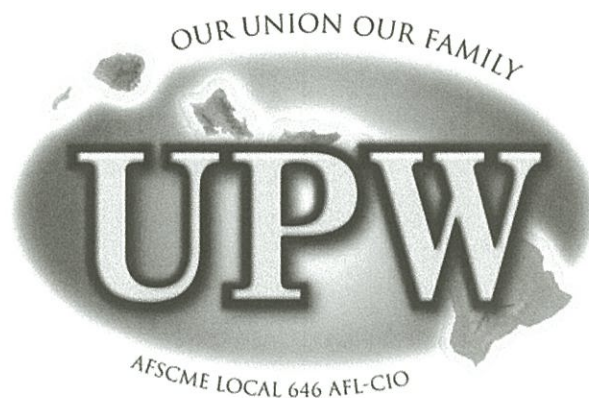
HMSA would not want to see this Program jeopardized. We would appreciate the opportunity to meet with the Bill's proponents to address our concerns before the Bill proceeds through the legislative process.

Thank you for allowing us to testify on SB 2330. Your consideration of our concerns is appreciated.

Sincerely,

Jennifer Diesman
Vice President, Government Relations.

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THE HAWAII STATE SENATE
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH (CPH)/
COMMITTEE ON HUMAN SERVICES (HMS)

The Honorable Rosalyn H. Baker, Chair (CPH)
The Honorable Suzanne Chun-Oakland, Chair (HMS)
The Honorable Michelle N. Kidani, Vice Chair, (CPH)
The Honorable Gil Riviere, Vice Chair (HMS)

DATE OF HEARING: Thursday, February 4, 2016
TIME OF HEARING: 1:15 p.m.
PLACE OF HEARING: State Capitol
415 South Beretania Street
Conference Room 016

TESTIMONY ON SENATE BILL SB2330 RELATING TO HOSPITAL SUSTAINABILITY

By DAYTON M. NAKANELUA,
State Director of the United Public Workers (UPW),
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

SB2330 continues the hospital sustainability program for one year. This will preserve access to health care to Medicaid patients. The bill also amends various reimbursement rates under the program to certain private hospitals through Medicaid Managed Care health plans, and uncompensated care and disproportionate share hospital payments.

The UPW supports SB 2330.

Thank you for the opportunity to submit this testimony.

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baker2 - Lia/Eve

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 03, 2016 10:40 PM
To: CPH Testimony
Cc: jkealoha@ilwulocal142.org
Subject: Submitted testimony for SB2894 on Feb 4, 2016 13:15PM
Attachments: 2016 SB 2894 connector transition HSH CPN.docx

SB2894

Submitted on: 2/3/2016

Testimony for CPH/HMS on Feb 4, 2016 13:15PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Joanne Kealoha	ILWU Local 142	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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THE SENATE

Committee on Human Services

Senator Suzanne Chun Oakland, Chair

Senator Gil Riviere, Vice Chair

Committee on Commerce, Consumer Protection, and Health

Senator Rosalyn H. Baker, Chair

Senator Michelle N. Kidani, Vice Chair

State Capitol, Conference Room 016

Thursday, February 4, 2016; 1:15 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2894
RELATING TO HEALTH INSURANCE**

The ILWU Local 142 **supports** S.B. 2894, which establishes the Hawaii State Health Insurance Programs and a State Health Insurance Exchange for the purpose of the State effectuating the Patient Protection and Affordable Care Act and the Prepaid Health Care Act, repeals the Hawaii Health Connector Law, and provides appropriations to the Department of Labor and Industrial Relations and the Department of Human Services.

The Hawaii Health Connector was created as a private nonprofit corporation to operate a state-based health insurance exchange through which individuals, families, and small businesses could enroll in health plans that met requirements of the federal Affordable Care Act (ACA). The ACA was enacted because the number of Americans without health insurance was steadily growing and impacting the overall cost of health care in this country.

By 2015, however, the Hawaii Health Connector found itself unable to be financially sustainable and could no longer rely on federal grants to remain operational. Ironically, the Connector's failures were due to the success of Hawaii's Prepaid Health Care Act, the employer mandate which provided for near-universal coverage. With fewer individuals and families needing to enroll in health care plans through the Connector, the private nonprofit Hawaii Health Connector was finally forced to cease operations in early December 2015 and its functions were assumed by the State.

S.B. 2894 seeks to repeal the Hawaii Health Connector and establish the State Health Insurance Programs and a State Health Insurance Exchange to effectuate the ACA and ensure that Hawaii residents can access marketplace plans on an individual basis using the federal platform. The bill also will ensure that the Prepaid Health Care Act remains untouched and able to provide for health coverage to most of Hawaii residents through employer-mandated plans.

S.B. 2894 also seeks appropriations to allow the Department of Labor and Industrial Relations and the Department of Human Services to ensure that Hawaii is compliant with provisions of the ACA. Individuals and families and, soon, small businesses need the State to support a state-based marketplace utilizing the federal platform. Otherwise, anyone without an employer-sponsored health plan must enroll in a plan directly through the federal government's exchange without the benefit of local support.

The ILWU urges passage of S.B. 2894. Thank you for allowing us to testify on this measure.

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**SENATE COMMITTEE
ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

February 3, 2016

Senate Bill 2854 Relating to Insurance

Chair Baker, Vice-Chair Kidani, members of the Senate Committee on Commerce, Consumer Protection, and Health, I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm).

State Farm offers the following comments about Senate Bill 2854 Relating to Insurance.

State Farm adopts and agrees with the comments submitted by Christian Rataj on behalf of NAMIC. We would like to add a few more brief comments.

SECTION 1 Hawaii Mandatory Catastrophe Reserve Act.

- As NAMIC pointed out, this legislation is really unnecessary because the NAIC is going to start including a catastrophe risk charge in its **Risk Based Capital (RBC)** requirements, and this goes directly to the point of this proposed legislation. RBC is a method developed by the NAIC to measure the minimum amount of capital that an insurance company needs to support its overall business operations. RBC is used to set capital requirements considering the size and degree of the risk taken by the insurer. Companies need appropriate resources on hand to withstand the impact of catastrophic events. The NAIC and state legislatures across the country will most likely be enacting the RBC changes in the very near future, thus making this legislation unnecessary. This would be the preferred approach over state by state enactment of similarly based, yet potentially conflicting, proposals.
- As NAMIC pointed out, there are adverse tax implications that will result from creating a mandatory catastrophe reserve program that will negatively impact rates. In addition, NAIC Statutory Accounting Principles do not support forgoing the earning of premium and the establishment of a catastrophe liability.
- “A rolling term of ten years” is too short of a time to consider for infrequent, large catastrophes such as hurricanes. The New York 2009 proposal, which was rejected, was 30 years.
- Not allowing the accumulation of investment income is contrary to a fundamental principle of insurance: premiums, plus the investment earned prior to a loss event, are utilized to provide funds for the covered loss events. Not allowing the accumulation

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of investment income will limit the funds available to pay a catastrophe when it occurs. The alternative would be to charge higher premiums.

- Setting an arbitrary “...no less than eighty per cent of the aggregate catastrophe load included in the premium of policies...” to fund the catastrophe reserve does not adequately consider the cost of reinsurance (or the design of alternative reinsurance programs), or other types of expenses that should be deducted from premiums, such as commissions and other acquisition and general expenses.
- The NAIC considered and rejected proposals for a tax-deferred, pre-event catastrophe reserve in 2000 and again in 2008. The concerns expressed including gaining the necessary federal tax exemption, efficient use of insurers’ capital, and technical issues related to the definition of catastrophes.

SECTION 2. Notice Requirement; Extended Coverage.

State Farm adopts NAMIC’s comments to this section of the bill.

SECTION 3. Self-Evaluative Privilege.

State Farm supports this provision of the bill.

SECTION 4. Hawaii Mandatory Catastrophe Reserve.

State Farm opposes this amendment to the existing statute, which references the Hawaii Mandatory Catastrophe Reserve.

SECTION 5 and 6. Electronic Filing of Business Statements and Payment of Taxes.

State Farm adopts NAMIC’s comments to this section of the bill. We too, support electronic filing and payment of taxes. We, however, do have concerns about the need for additional time to adapt our systems to accommodate this. We support NAMIC’s suggestion of extending the deadline to January 1, 2017, instead of July 1, 2016.

Thank you for the opportunity to present this testimony.