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February 2, 2016

To: The Honorable Rosalyn H. Baker, Chair,  
The Honorable Michelle N. Kidani, Vice Chair, and  
Members of the Senate Committee on Commerce, Consumer Protection,  
and Health

Date: Wednesday, February 3, 2016  
Time: 9:00 a.m.  
Place: Conference Room 229, State Capitol

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

**Re: S.B. No. 2775 Relating to the Affordable Care Act Section  
1332 State Innovation Waiver**

Chair Baker, Vice Chair Kidani, 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.

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. I am prepared to respond to any questions you may have.

The Twenty-Eighth Legislature  
Regular Session of 2016

**LATE**

THE SENATE

Committee on Commerce, Consumer Protection, and Health  
Senator Rosalyn H. Baker, Chair  
Senator Michelle N. Kidani, Vice Chair  
State Capitol, Conference Room 229  
Wednesday, February 3, 2016; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2775  
RELATING TO AFFORDABLE CARE ACT SECTION 1332  
STATE INNOVATION WAIVER**

The ILWU Local 142 **supports** S.B. 2775, 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, 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.

S.B. 2775 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 become the victim of unintended consequences.

The ILWU urges passage of S.B. 2775. Thank you for the opportunity to testify on this measure.