

EXECUTIVE CHAMBERS

HONOLULU

David Y. Ige
GOVERNOR

TO: HOUSE COMMITTEE ON FINANCE
Chair Sylvia Luke
Vice Chair Scott Y. Nishimoto

HEARING: March 30, 2016, 2:00 p.m., Room 308

RE: **Senate Bill 2775:**
Relating to the Affordable Care Act Section 1332 State Innovation Waiver

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

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>

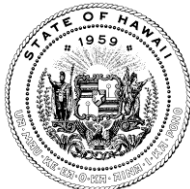
The ACA allows states to implement waivers no sooner than January 1, 2017, which, with legislative approval this session, is a feasible timeframe for the proposed waiver.

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

ACA Provisions to be Waived in Hawai'i Proposal	
§1301(a)(1)(C)(ii) requires silver level benefits to be provided by every Qualified Health Plan	A waiver is sought because the actuarial value of Prepaid plans must be gold or platinum. Silver level plans are not allowed.
§1301(a)(2) requires co-ops and multi-state plans to be available to consumers	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.
§1304 (b)(4)(D)(i) and (ii) addresses continuation of participation in a SHOP exchange for growing small employers	This provision would be moot under Hawai'i's proposal to waive SHOP.
§1311 (b)(1)(B) requires the establishment of a SHOP Exchange	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.
§1311 (f)(3)(B) identifies authorized entities responsible for exchange functions	A waiver is sought to authorize state entities other than the state Medicaid agency to carry out responsibilities to support the individual exchange.
§1312 (a)(2) requires employee choice in a SHOP exchange	A waiver is sought because the cost of creating a system that would support it outweighs the resulting benefits.
§1312 (f)(2)(A) defines "qualified employer" for purposes of participating in SHOP	A waiver is sought because, if SHOP is waived, there will be no "qualified employer."

DAVID Y. IGE
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March 30, 2016

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

Date: Wednesday, March 30, 2016
Time: 2:00 p.m.
Place: Conference Room 308, 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 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.

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 provide input.



DAVID Y. IGE
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SHAN S. TSUTSUI
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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Wednesday, March 30, 2016
2:00 p.m.

TESTIMONY ON SENATE BILL NO. 2775 – RELATING TO THE AFFORDABLE CARE ACT SECTION 1332 STATE INNOVATION WAIVER.

TO THE HONORABLE SYLVIA LUKE, CHAIR, 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 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 that would be covered absent a waiver. Due to the success of the Hawaii Prepaid Healthcare Act, the participation from employers in the Small Business Health Options Program (“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.



March 30, 2016 at 2:00 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**
SB 2775, 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 committees for the opportunity to **support** SB 2775, 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 30, 2016

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

Re: SB 2775 – Relating to the Affordable Care Act Section 1332 State Innovation Waiver

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

Hawaii Medical Service Association (HMSA) appreciates the opportunity to offer testimony in support of SB 2775, 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 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 SB 2775 would allow Hawaii to lead the nation as one of the first states to formally ask for a 1332 waiver and in the process highlighting the success of the PHCA.

Thank you for allowing us to testify in support of SB 2775.

Sincerely,

Jennifer Diesman
Vice President, Government Relations



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice-Chair

Testimony in Support of Senate Bill 2775

Relating to the Affordable Care Act Section 1332 State Innovation Waiver

Submitted by Dustin Stevens, Public Affairs and Policy Director

March 30, 2016, 2:00 pm, Room 308

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 2775, authorizing the State to submit and implement a waiver from certain provisions of the Affordable Care Act.

In 2014, the legislature passed Act 158 establishing a state innovation task force that would devise a health care reform plan that would both comply with provisions of the Affordable Care Act and improve the overall functioning of the healthcare system in Hawaii. Act 184 of the Session Laws of 2015 amended that scope to facilitate the development of a state innovation waiver application in a timely manner.

Senate Bill 2775 takes the final step of authoring the state to submit a state innovation waiver proposal and to implement such waiver upon approval.

For these reasons, the HPCA supports this bill, and thanks you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 28, 2016 2:30 PM
To: FINTestimony
Cc: laurie.field@ppvnh.org
Subject: *Submitted testimony for SB2775 on Mar 30, 2016 14:00PM*

SB2775

Submitted on: 3/28/2016

Testimony for FIN on Mar 30, 2016 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
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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Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, March 25, 2016 at 2:00 P.M.
Conference Room 308, State Capitol**

**RE: SENATE BILL 2775 RELATING TO THE AFFORDABLE CARE ACT SECTION
1332 STATE INNOVATION WAIVER**

Chair Luke, Vice Chair Nakashima, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2775, 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.