



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

**WRITTEN  
TESTIMONY  
ONLY**

**Testimony in SUPPORT of SB2775  
RELATING TO THE AFFORDABLE CARE ACT SECTION 1332 STATE  
INNOVATION WAIVER**

REPRESENTATIVE DELLA BELATTI, CHAIR  
HOUSE COMMITTEE ON HEALTH  
REPRESENTATIVE MARK NAKASHIMA, CHAIR  
HOUSE COMMITTEE ON LABOR

Hearing Date: March 11, 2016  
Time: 10:15 AM

Room Number: 329

- 1 **Fiscal Implications:** None for department.
- 2 **Department Testimony:** The Department of Health (DOH) supports Senate Bill 2775, Relating To The
- 3 Affordable Care Act Section 1332 State Innovation Waiver, which authorizes the State to submit and
- 4 implement a waiver from certain provisions of the Patient Protection and Affordable Care Act (ACA) of
- 5 2010.
- 6 The department has participated as a task force member since its inception and endorses the methods
- 7 and findings of the group to assure the Pre-Paid Healthcare Act of 1974 is preserved in the face of ACA
- 8 mandates. The ACA allows states to implement waivers no sooner than January 1, 2017, which, with
- 9 legislative approval this session, is a feasible timeframe for the proposed waiver.
- 10 Thank you for the opportunity to testify in support of this measure.
- 11 **Offered Amendments:** N/A.



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](http://www.hawaii.gov/dcca)

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

TO THE HOUSE COMMITTEES ON HEALTH AND  
LABOR AND PUBLIC EMPLOYMENT

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2016

Friday, March 11, 2016  
10:15 a.m.

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

TO THE HONORABLE DELLA AU BELATTI AND MARK M. NAKASHIMA, 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 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 Committees for the opportunity to present testimony on this matter.

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

LEONARD HOSHIO  
DEPUTY DIRECTOR

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

830 PUNCHBOWL STREET, ROOM 321

HONOLULU, HAWAII 96813

[www.labor.hawaii.gov](http://www.labor.hawaii.gov)

Phone: (808) 586-8844 / Fax: (808) 586-9099

Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

March 11, 2016

To: The Honorable Della Au Bellati, Chair  
The Honorable Richard P. Creagan, Vice Chair, and  
Members of the House Committee on Health

To: The Honorable Mark M. Nakashima, Chair  
The Honorable Jarrett Keohokalole, Vice Chair, and  
Members of the House Committee on Labor & Public Employment

Date: Friday, March 11, 2016

Time: 10:15 a.m.

Place: Conference Room 329, State Capitol

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

Chair Belatti, Chair Nakashima, Vice Chair Creagan, Vice Chair Keohokalole, and  
Members of the Committees:

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  
GOVERNOR  
EXECUTIVE CHAMBERS  
HONOLULU

TO: HOUSE COMMITTEE ON HEALTH  
Chair Della Au Belatti  
Vice Chair Richard Creagan

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
Chair Mark Nakashima  
Vice Chair Jarrett Keohokalole

HEARING: March 11, 2016 -- 10:15 a.m. -- Room 329

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

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Chair Au Bellati, Chair Nakashima, 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



TODD NACAPUY  
CHIEF INFORMATION  
OFFICER

**OFFICE OF ENTERPRISE TECHNOLOGY SERVICES**

P.O. BOX 119, HONOLULU, HI 96810-0119  
Ph: (808) 586-6000 | Fax: (808) 586-1922  
ETS.HAWAII.GOV

INFORMATION AND COMMUNICATION  
SERVICES DIVISION

OFFICE OF INFORMATION MANAGEMENT  
AND TECHNOLOGY

Testimony of  
**TODD NACAPUY**  
Chief Information Officer, State of Hawai'i

Before the

HOUSE COMMITTEES ON HEALTH  
AND  
LABOR AND PUBLIC EMPLOYMENT  
Friday, March 11, 2016; 10:15 a.m.  
State Capitol, Conference Room 329

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

Chairs Belatti and Nakashima, Vice Chairs Creagan and Keohokalole, and Committee Members:

I am Todd Nacapuy, State Chief Information Officer (CIO), testifying in **support** of Senate Bill No. 2775, which authorizes the State to submit and implement a waiver from certain provisions of the Patient Protection and Affordable Care Act (ACA) of 2010.

As State CIO since May 2015, I served for a brief time as an ex officio member of the Board of Directors of the Connector, which ceased operations on December 4, 2015. In addition, the Office of Enterprise Technology Services (ETS), which I lead, has assisted in transitioning the functions and records from the now defunct Connector to the State Departments of Labor and Industrial Relations (DLIR) and Human Services (DHS).

ETS supports this measure that would further facilitate the transition from the Connector model. We will continue to work closely with DLIR and DHS to carry out the functions of the new Hawai'i Health Insurance Program.

Thank you for the opportunity to testify.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 09, 2016 9:46 AM  
**To:** HLTtestimony  
**Cc:** laurie.field@ppvnh.org  
**Subject:** \*Submitted testimony for SB2775 on Mar 11, 2016 10:15AM\*

**SB2775**

Submitted on: 3/9/2016

Testimony for HLT/LAB on Mar 11, 2016 10:15AM in Conference Room 329

<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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Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the House Committee on Health and Committee on Labor &  
Public Employment  
Friday, March 11, 2016 at 10:15 A.M.  
Conference Room 329, State Capitol**

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

Chairs Belatti and Nakashima, Vice Chairs Creagan and Keohokalole, 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.



## THE QUEEN'S HEALTH SYSTEMS

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To: The Honorable Della Au Belatti, Chair, Committee on Health  
The Honorable Richard P. Creagan, Vice Chair, Committee on Health  
Members, Committee on Health

The Honorable Mark N. Nakashima, Chair, Committee on Labor & Public Employment  
The Honorable Jarrett Keohokalole, Vice Chair, Committee on Labor & Public  
Employment  
Members, Committee on Labor & Public Employment

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

Date: March 9, 2016

Hrg: House Committee on Health and Committee on Labor & Public Employment Joint  
Hearing; Friday, March 11, 2016 at 10:15am in Room 329

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

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My name is Paula Yoshioka and I am a Senior Vice President at The Queen's Health Systems (Queen's). I would like to express strong support for SB 2775, 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 SB 2775. 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.*



**Friday, March 11, 2016 at 10:15 AM**  
**Conference Room 329**

**House Committee on Health**  
**House Committee on Labor and Public Employment**

To: Chair Della Au Belatti  
Vice Chair Richard P. Creagan

Chair Mark M. Nakashima  
Vice Chair Jarrett Keohokalole

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.

The Twenty-Eighth Legislature  
Regular Session of 2016

HOUSE OF REPRESENTATIVES

Committee on Health

Rep. Della Au Belatti, Chair

Rep. Richard P. Creagan, Vice Chair

Committee on Labor & Public Employment

Rep. Mark M. Nakashima, Chair

Rep. Jarrett Keohokalole, Vice Chair

State Capitol, Conference Room 329

Friday, March 11, 2016; 10:15 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 acknowledged as a 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.



An Independent Licensee of the Blue Cross and Blue Shield Association

March 11, 2016

The Honorable Della Au Belatti, Chair  
House Committee on Health  
The Honorable Richard Creagan, Vice-Chair  
House Committee on Health

The Honorable Mark Nakashima, Chair  
House Committee on Labor and Public Employment  
The Honorable Jarrett Keohokalole, Vice-Chair  
House Committee on Labor and Public Employment

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

Dear Chair Belatti, Chair Nakashima, Vice-Chair Creagan, Vice-Chair Keohokalole and Members of the Committees:

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 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 SB 2775 allows Hawaii to lead the nation as one of the first states to formally ask for a 1332 waiver and in the process highlighting the benefits and success of the PHCA.

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

Sincerely,

Jennifer Diesman  
Vice President, Government Relations