



EXECUTIVE CHAMBERS

HONOLULU

David Y. Ige  
GOVERNOR

To: SENATE COMMITTEE ON WAYS & MEANS  
Chair Jill N. Tokuda  
Vice Chair Donovan M. Dela Cruz

From: Beth Giesting, Office of the Governor

Hearing: February 24, 2016, 10:30 a.m., Room 211

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

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Chair Tokuda, Vice Chair Dela Cruz, 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.**

*Senate Committee on Ways & Means*

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>

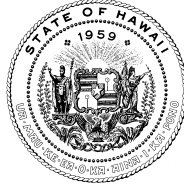
The ACA allows states to implement waivers no sooner than January 1, 2017, which, with legislative approval this session, is a feasible timeframe for the proposed waiver.

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.”   |

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February 24, 2016

To: The Honorable Jill N. Tokuda, Chair,  
The Honorable Donovan M. Dela Cruz, Vice Chair, and  
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 24, 2016  
Time: 10:30 a.m.  
Place: Conference Room 211, 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 Tokuda, Vice Chair Dela Cruz, 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.

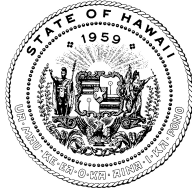
In 2017, the Federal program will change, eliminating exemptions that had allowed us to use Prepaid plans for the majority of our employer-based health insurance. Federal staff have indicated they do not contemplate accommodating the distinct features of the Prepaid system within the Federal exchange environment.

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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



TODD NACAPUY  
CHIEF INFORMATION  
OFFICER

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INFORMATION AND COMMUNICATION  
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OFFICE OF INFORMATION MANAGEMENT  
AND TECHNOLOGY

Testimony of  
TODD NACAPUY  
Chief Information Officer, State of Hawai‘i

Before the

SENATE COMMITTEE ON WAYS AND MEANS  
Wednesday, February 24, 2016; 10:30 a.m.  
State Capitol, Conference Room 211

SENATE BILL NO. 2775  
RELATING TO THE HAWAII HEALTH CONNECTOR

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

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.



**February 24, 2016 at 10:30 AM**  
**Conference Room 211**

**Senate Committee on Ways and Means**

To: Chair Jill N. Tokuda  
Vice Chair Donovan M. Dela Cruz

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 committee 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.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [cmasunaga@queens.org](mailto:cmasunaga@queens.org)  
**Subject:** \*Submitted testimony for SB2775 on Feb 24, 2016 10:30AM\*  
**Date:** Tuesday, February 23, 2016 11:02:01 AM

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**SB2775**

Submitted on: 2/23/2016

Testimony for WAM on Feb 24, 2016 10:30AM in Conference Room 211

| <b>Submitted By</b> | <b>Organization</b>        | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|----------------------------|---------------------------|---------------------------|
| Paula Yoshioka      | The Queen's Health Systems | 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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**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**Senate Committee on Ways and Means**

The Hon. Jill N. Tokuda, Chair

The Hon. Donovan M. Dela Cruz, 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**

**February 24, 2016, 10:30 am, Room 211**

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.