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DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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March 18, 2016

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

To: The Honorable Dee Morikawa, Chair,  
The Honorable Bertrand Kobayashi, Vice Chair, and  
Members of the House Committee on Human Services

Date: Friday, March 18, 2016

Time: 10:00 a.m.

Place: Conference Room 309, State Capitol

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

**Re: S.B. No. 2898 SD1 - Making Emergency Appropriations  
for the State to Comply with the Affordable Care Act**

Chairs Nakashima & Morikawa, Vice Chairs Keohokalole & Kobayashi, and Members of the Committees:

My name is Linda Chu Takayama and I am the Director of the Department of Labor and Industrial Relations (DLIR). Thank you for hearing this Administration proposal. We are in strong support and urge you to give it your full consideration

On December 4, 2015, the private, nonprofit Hawaii Health Connector ceased operations. In order to comply with Federal requirements and ensure that Hawaii residents continue to have access to quality health insurance, the State enlisted the assistance of six departments to effectuate a transition that would incur the least disruption to enrollees.

Under this transitional structure, individuals and families are directed to the Department of Human Services (DHS) for enrollment in Medicaid or the federal exchange. DLIR is taking on the responsibility of (1) overseeing employers who have the option of providing required health plans to their employees through the Prepaid Healthcare Act

or the federal exchange by direct enrollment with Kaiser, the only certified Affordable Care Act (ACA) health plan provider, and (2) managing the Federal grant. To avoid any disruption for policyholders, DHS and DLIR advanced limited general funds to cover costs.

This effort required funding and staffing in fiscal year 2015-2016. In order for DLIR to hire staff and fulfill our ACA related requirements, the Department of Budget and Finance allowed DLIR to expend \$1,651,510 in general funds that were previously restricted and intended for other purposes to do the following:

1. Establish five (5) temporary exempt positions to continue necessary operations;
2. Enable a smooth transition and shut down of the Hawaii Health Connector operations.
3. Provide interim funding for the Marketplace Assister Organizations (MAO) that provide critical outreach services in communities across the state to enable individuals and families to re-enroll in the federal exchange;
4. Provide funding for information technology services to enable IRS Form 1095-As to be generated and distributed to Plan Year 2015 individual and family consumers for tax purposes by January 31, 2016; and

This Emergency Appropriation restores the DLIR general funds so that they may be used for their intended purposes to fulfill our core responsibilities and functions during the current fiscal year.

Thank you for the opportunity to testify. I am available to answer any questions you may have.



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 18, 2016

TO: The Honorable Mark M. Nakashima, Chair  
House Committee on Labor & Public Employment

The Honorable Dee Morikawa, Chair  
House Committee on Human Services

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2898 SD1 - MAKING EMERGENCY APPROPRIATIONS FOR THE STATE TO  
COMPLY WITH THE AFFORDABLE CARE ACT**

Hearing: Friday, March 18, 2016, 10:00  
Conference Room 309, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this administration bill to reimburse DHS and the Department of Labor and Industrial Relations (DLIR) to cover expenses for the transition of the functions of the Hawaii Health Connector (HHC), which includes maintenance and operations for the Medicaid eligibility and enrollment system.

**PURPOSE:** The purpose of this bill is to make an emergency appropriation for fiscal year 2015-16 to reimburse DLIR (\$1,651,510) and DHS (\$3,790,929) for costs associated with maintaining the Medicaid eligibility application of the DHS Enterprise System and the costs incurred with the transfer of the HHC functions to DLIR and DHS in accordance with the Patient Protection and **Affordable Care Act** (ACA) of 2010 (P.L. 111-148). DHS requests an emergency appropriation of **\$3,790,929** in general funds for state fiscal year 2015-2016 for Health Care Payments (HMS 401). If HMS 401 is not replenished, health care payments for Hawaii Medicaid recipients may be impacted. This request for an emergency appropriation includes the following costs:

KOLEA Application Maintenance & Operations	\$704,832
Project Management Organization	\$387,917
Market Place Assisters	\$787,312
Outreach and Administration:	
(Navigators, Contact Center, Support)	<u>\$1,910,868</u>
Total FY2016	\$3,790,929

The emergency appropriation is needed to cover the maintenance and operations expenses for the DHS Enterprise System, Kauhale On Line Eligibility Assistance (KOLEA) application (**\$704,832**). KOLEA is the eligibility application of the DHS Enterprise System that is used to receive and process applications for medical insurance assistance, the largest program being Medicaid. To comply and implement provisions of the ACA, the State was required to develop the KOLEA application to process and determine eligibility for Medicaid. Continued maintenance and operations of the KOLEA application is also required to maintain compliance with ACA.

In January 2015, the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) found the HHC to be non-compliant with the ACA because it did not meet statutory and regulatory requirements. CMS initiated discussions with Governor Ige to bring Hawai'i into compliance with key requirements of the ACA. As part of the discussions, Governor Ige decided to transition Hawai'i from a State-based Marketplace (SBM) to a SBM using the Federal Platform (SBM-FP) for eligibility and enrollment of individuals and families through a DHS gateway while employer-based plans would be managed by DLIR.

To assist the transition of HHC functions to the State, CMS strongly urged the State and the HHC to contract with a Project Management Organization (PMO) to oversee the transition. The PMO was needed to ensure that the transition incorporate all federal requirements and be accomplished within required timelines.

In August 2015, the entire contract amount of \$440,483 in general funds was transferred from Health Care Payments (HMS 401) to General Support for Health Care Payments (HMS 902) to procure the PMO contract. However, in mid-November 2015, the HHC board voted to accelerate the transfer of HCC functions to the State and wind down the operations of HHC from February 1, 2016 to December 4, 2015.

On November 30, 2015, HHC ceased operations of its contact center, marketplace assister and navigator functions. These outreach functions transferred to the State effective December 1, 2015. With the change in transition date from February 1, 2016 to December 1, 2015, continued PMO services were necessary. The cost of the amended PMO contract for extended services is \$157,250. After the federal Medicaid match, the total contract costs for the Project Management Organization to oversee transition from the HHC to the State-Based Marketplace using the Federal Platform are **\$387,917**.

When the HHC ceased operations on November 30, 2015, the State assumed responsibility for the marketplace assister organizations and navigators. The functions that the marketplace assisters perform are a requirement under the ACA for State-based Marketplaces. Also, since some of the outreach and consumer assistance is on behalf of Medicaid applicants, DHS Medicaid is required by ACA to pay a portion of the costs. The estimated costs allocated for outreach-related costs provided to Medicaid applicants by the Marketplace Assister Organizations (MAOs) is **\$787,312**.

Additional costs for outreach include the estimated costs for Navigator organizations (\$459,375 minus federal Medicaid matching funds, **\$328,453**). DHS supports consumer assistance and outreach with a contract with the contact center that answers questions about both the marketplace and Medicaid, as well as performs the federal requirement to intake Medicaid phone applications (\$1,740,000 net federal Medicaid matching dollars, **\$1,244,100**).

The outreach efforts also require the continued administrative support to ensure as smooth of a transition as possible during open enrollment. Staff were brought on to support the Marketplace Assisters and Navigators (an outreach manager; four outreach coordinators located on Oahu and neighbor islands, and a clerical support person), along with other administrative costs such as materials and travel costs (\$473,168 net federal Medicaid match, **\$338,315**).

The expenses incurred not only ensure compliance with the ACA, but also a smooth transition of the marketplace to the state. This transition has been a collaborative effort between the HHC private sector board members, key legislators, six State departments, the Governor's office, and federal agencies. Because of this partnership, the goal of ensuring uninterrupted access to health insurance coverage to Hawai'i residents has been met, and we continue to move forward with this shared objective.

Thank you for the opportunity to testify on this bill.



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the House Committee on Labor & Public Employment and  
Committee on Human Services  
Friday, March 18, 2016 at 10:00 A.M.  
Conference Room 309, State Capitol**

**RE: SENATE BILL 2898 SD 1 MAKING EMERGENCY APPROPRIATIONS FOR  
THE STATE TO COMPLY WITH THE AFFORDABLE CARE ACT**

Chairs Nakashima and Morikawa, Vice Chairs Keohokalole and Kobayashi, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2898 SD 1, which makes an emergency appropriation for fiscal year 2015-2016 for the Department of Labor and Industrial Relations and the Department of Human Services to cover short-term costs required to comply with the Affordable Care Act.

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.

This bill is necessary to ensure Hawaii is compliant with the Affordable Care Act. The Chamber supports the bill as it would assist the two departments that helped cover the maintenance of Medicaid eligibility applications.

Thank you for the opportunity to testify.



**March 18, 2016 at 10:00 AM**  
**Conference Room 309**

**House Committee on Labor and Public Employment**  
**House Committee on Human Services**

To: Chair Mark M. Nakashima  
Vice Chair Jarrett Keohokalole

Chair Dee Morikawa  
Vice Chair Bertrand Kobayashi

From: George Greene  
President and CEO  
Healthcare Association of Hawaii

**Re: Testimony in Support**  
**SB 2898 SD 1, Making Emergency Appropriations for the State to Comply with the**  
**Affordable Care Act**

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.

The Healthcare Association of Hawaii would like to thank the committees for the opportunity to **support** SB 2898 SD 1. This legislation would make available emergency appropriations to the Departments of Human Services and Labor and Industrial Relations to reimburse those agencies for the costs they incurred transitioning the functions of the Hawaii Health Connector to the state and maintaining the Medicaid eligibility application system.

Hawaii has long been recognized as a leader in providing access to quality, affordable care for its residents. A recent analysis pegged Hawaii as the third best state in the nation when it comes to health insurance coverage with an uninsured rate of approximately five percent. The *Affordable Care Act's* insurance coverage provisions and the Medicaid expansion undoubtedly helped our state achieve this. To continue our progress forward, we are supportive of collaborative efforts to ensure that the benefits of health care reform are available to all residents without interruption.

In considering this measure, we would ask for your continued support of efforts to improve the healthcare system in Hawaii. Thank you again for the opportunity to testify on this matter.

The Twenty-Eighth Legislature  
Regular Session of 2016

**LATE**

HOUSE OF REPRESENTATIVES  
Committee on Labor & Public Employment  
Rep. Mark M. Nakashima, Chair  
Rep. Jarrett Keohokalole, Vice Chair  
Committee on Human Services  
Rep. Dee Morikawa, Chair  
Rep. Bertrand Kobayashi, Vice Chair  
State Capitol, Conference Room 309  
Friday, March 18, 2016; 10:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 2898, SD1  
MAKING EMERGENCY APPROPRIATIONS FOR THE STATE  
TO COMPLY WITH THE AFFORDABLE CARE ACT**

The ILWU Local 142 **supports** S.B. 2898, SD1, which makes an emergency appropriation for fiscal year 2015-2016 for the Department of Labor and Industrial Relations and the Department of Human Services to cover short-term costs required to comply with the Affordable Care Act.

The Hawaii Health Connector was created as a private nonprofit corporation to meet requirements of the Affordable Care Act (ACA) to establish a marketplace exchange for individuals, families, and small businesses to enroll in health plans and access tax credits. Ironically, due to the success of Hawaii's landmark Prepaid Health Care Act, the numbers of residents in Hawaii without health insurance was far less than estimated, and target enrollment numbers were never reached. The Connector became financially unsustainable and was forced to cease operations in December 2015.

Since residents were still obligated to comply with the ACA and obtain health insurance or incur a tax penalty, the State immediately stepped in to assume the functions of the Connector with funds remaining in Connector accounts. However, funds were insufficient to cover expenses, necessitating this request for emergency appropriation through S.B. 2898, SD1.

We believe the State must continue to assist individuals and families to enroll in marketplace health plans using the federal platform. If it abandons this function, thousands of individuals and families will be forced to flounder on their own. This includes workers from Hawaiian Commercial & Sugar (HC&S), the last sugar company in Hawaii, which will close down at the end of 2016. Most of the HC&S workers are represented by the ILWU and, while they will be offered COBRA continuation coverage, the premium cost may be prohibitive for many of them who will be forced to consider a marketplace plan and will need assistance.

The ILWU urges passage of S.B. 2898, SD1 so that the State may continue its role in ensuring that Hawaii as a state and Hawaii residents as individuals can comply with the Affordable Care Act.

Thank you for the opportunity to offer testimony on this measure.