LATE

HAWAI'I HEALTH CONNECTOR

The Honorable Rosalyn Baker
Chair, Committee on Commerce and Consumer Protection

The Honorable Brian Taniguchi
Vice Chair, Committee on Commerce and Consumer Protection

Re: Testimony regarding S.B. 745 and S.B. 1028, Relating to the Hawaii Health Connector.

Hearing scheduled for February 5, 2014, at 9:00 a.m.

Chair Baker, Vice Chair Taniguchi, and members of the Committee on Health,

My name is Jeff Kissel, Executive Director of the Hawai'i Health Connector (the "Connector"), speaking on behalf of the Connector and its Board of Directors.

It is a pleasure to be with you today to discuss S.B. 745 and S.B. 1028, two bills that impact the Hawai'i Health Connector.

S.B. 745

The impact of S.B. 745 is to give equal access to Hawaii's major insurance providers. Sometimes referred to as a "tying provision," it requires that any health insurer, who services more than 20 percent of the health insurance marketplace will offer coverage on the Connector. While there may be differences on how the policy is implemented in each state, a majority of states have already adopted a "tying provision" like the one that is before you today.

The Connector can support this change with its current technology system.

S.B. 1028

At the end of 2014, the Connector submitted its Annual Report and Sustainability Plan. The report shows that the Connector is a viable, sustainable business, and shows, that with community support, the Connector can bring a significant return on investment by bringing more than $500 million in federal tax subsidies while assisting the state with the transition of the Basic Health Hawaii program, saving the state upwards of $30 million in medical costs.

The Connector works in tandem with state government and private industry to achieve our goal of harmonizing the benefits of Hawaii's forward thinking Prepaid Healthcare Act of 1974 with the Affordable Care Act to deliver access to health, wellness and preventive care to every resident of our state.

In testimony I provided to the Legislative Oversight Committee on December 29, 2014, I discussed how the State of Hawaii provided support for HEMIC, in part to address an inability for Hawaii's business to secure Workers Compensation insurance. I was working as a commercial insurance agent in Hawaii and remember the vigorous public discussion and debate, including significant opposition from Hawaii's largest insurance carriers. That debate centered on the presumption, that without substantiation, there weren't enough uninsured or at risk employers to justify the cost of HEMIC. In the end, the enabling legislation was passed. Today, HEMIC not only provides workers compensation insurance at competitive rates, while earning a profit, it actually supports the overall profitability of the commercial insurance industry.

For the record, it is important that we point out that we recognize that the actual method the State used to bring HEMIC into existence differs from the proposal for the Connector. The concept, however, is the same. HEMIC received relief from a requirement to maintain reserves, contribute to the Hurricane Relief Fund, and was not required to comply with other financial requirements imposed on new insurance companies for up to 10 years. During that time, if HEMIC failed to perform financially, the State would have had to assume responsibility for the financial losses associated with those commitments. If memory serves, HEMIC achieved its goals and relieved the State of the risks and obligations it assumed in about 5 years. Today it is earning a profit and has accumulated the requisite surplus to achieve an "A" rating from AM Best, the largest rating agency for the insurance industry.

Even though the Connector is not an insurance company, and is committed to operate as a non-profit, it has the potential to bring those same economic, and health benefits to our community. While S.B. 1028 is similar to the legislation that made HEMIC a reality, there is one important difference; the Connector offers all of the people of the State of Hawaii an opportunity to benefit from direct federal subsidy of hundreds of millions of dollars, while at the same time enjoying healthier, longer and more productive lives.

HAWAI'I HEALTH
CONNECTOR

Today, more than 17,500 Hawaii residents are enrolled in plans through the Hawaii Health Connector. This compares with less than 2,000 at the same time last year. Momentum is building, daily enrollments are increasing as more and more of our citizens experience a better quality enrollment process supported by improved technology, better trained staff and faster access to lower the cost of health insurance plans.

In addition to establishing a State Based Exchange (SBE), Hawaii has been able to expand its Medicaid offerings to more than 50,000 additional residents at virtually no cost to the State. In fact, by expanding Medicaid and offering access to heath care through the Connector, our community is not just saving many millions of dollars each year in unreimbursed health care costs, but also providing for a healthier more productive population.

The federal government through the Affordable Care Act funded the development and initial operation of our State Based Exchange. It did not provide the "start up" capital necessary to support operations until the Connector insures sufficient lives to start to pay its own operating expenses. Like most businesses, it will take time to develop sufficient revenue to cover the cost of operation. We have provided detailed financial information in our Annual Report that shows when the Connector is likely to break even and generate surplus revenue.

It is important to recognize the difference between generating a surplus and sustainability. All businesses require operating capital to pay expenses until they can turn a profit. The Connector is no exception. There is an important difference, however. While investors in start-up enterprises must usually wait to achieve a return on investment, the people of Hawaii are already receiving a substantial return on the Connector. In its first 3 years of operation, as our Annual Report shows, health insurance purchased through the Connector generated more than $55 million in direct federal tax subsidies to businesses and the residents of Hawaii. The expanded Medicaid program together with the insured enrollment on the Connector is already reducing the uncompensated costs that are passed along to the rest of us.

Also, Hawaii has been able to benefit from another immediate return. Effective March 1st, about $30 million per year in the medical costs for just one group of 7,500 individuals will be transferred from our community to the Federal Government through the Connector under the terms of the Affordable Care Act.

Honorable Senators, this is not a discussion of funding a loss for an indeterminate period of time. It is choice about whether or not to facilitate a commitment of up to $28 million over the next six years, that will be repaid, to continue to return the immediate benefits I just discussed and then generate not just half a billion dollars in direct federal tax payments but also the substantial return to each and every family, our businesses and the community resulting from a healthier, more productive population.