

DAVID Y. IGE  
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ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**WRITTEN ONLY**

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON COMMERCE,  
CONSUMER PROTECTION AND HEALTH  
ON  
HOUSE BILL NO. 552, H.D. 1

**LATE**

March 14, 2017  
9:00 a.m.  
Room 229

RELATING TO HEALTH INSURANCE

House Bill No. 552, H.D. 1, establishes: minimum essential coverage for individual health insurance; tax penalties for non-compliance; reporting requirements for insurance providers; and the Minimum Essential Coverage Premium Supplementation Trust Fund. The bill also requires all policies issued and renewed by accident and health or sickness insurers, mutual benefit societies, and health maintenance organizations after the bill's effective date to: cover essential health benefits; offer dependent coverage up to 26 years of age; not exclude benefits or coverage based on pre-existing conditions; and not charge premiums that discriminate by gender.

The Department of Budget and Finance does not take any position on the preservation of Affordable Care Act (ACA) benefits in the case of the Act's repeal and offers the following comments.

As a matter of general policy, the department does not support the creation of trust funds which rely on general fund appropriations to finance its activities beyond providing seed moneys. In regards to House Bill No. 552, H.D. 1, it appears that the

proposed source of revenues from tax penalties will not be self-sustaining at this time and the minimum essential coverage premium supplementation trust fund would require annual cash infusions from the general fund to fulfill its purpose.

The department also has concerns that replacing Advanced Premium Tax Credits for the individual market could cost the State around \$30-\$35 million a year according to an estimate provided by the Department of Commerce and Consumer Affairs. This would be in addition to the Department of Human Services' estimated cost of up to \$230 million in general funds in future years to cover the loss of enhanced federal medical assistance percentages for ACA Medicaid expansion expected to be part of the ACA's repeal and replacement.

Furthermore, the department would like to point out that Section 5 of Article VII of the Hawaii State Constitution requires that "no public money shall be expended except pursuant to appropriations made by law." The third provision of Section 3 of the bill, which states that expenditures of moneys from the Minimum Essential Coverage Premium Supplementation Trust Fund shall not be subject to any provisions of law requiring specific appropriations, does not appear to be compliant with the State's Constitution.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR



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TESTIMONY BY DEREK MIZUNO  
ADMINISTRATOR, HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND  
HEALTH  
ON HOUSE BILL NO. 552 H.D.1

March 14, 2017  
9:00 a.m.  
Room 229

**LATE**

RELATING TO HEALTH INSURANCE

Chair Baker, Vice Chair Nishihara, and Members of the Committees:

The Hawaii Employer-Union Health Benefits Trust Fund (EUTF) Board of Trustees has not taken a position on this bill.

This bill would generally have minimal, if any, impact on the EUTF's active employee plans as current medical, bundled with prescription drug, plans cover the bill's essential health care benefits, contraception and breastfeeding coverage benefits, dependent coverage for children until they reach age 26 for medical and prescription drug coverage and there are no preexisting condition exclusions and no gender based premiums and contribution policies. However, EUTF staff would like to clarify whether the EUTF would be required to provide coverage for dependent children until they reach age 26 for dental and vision plans. Currently, the EUTF provides dental and vision coverage for dependent children through age 18 and if they are a full-time student, through age 23. The addition of coverage until the child reaches age 26 for dental and

**EUTF's Mission:** We care for the health and well being of our beneficiaries by striving to provide quality benefit plans that are affordable, reliable, and meet their changing needs. We provide informed service that is excellent, courteous, and compassionate.

vision plans could add approximately \$1 million annually to State and county active employee premiums. Dental and vision plans are not subject to the Affordable Care Act provisions.

On the other hand, this bill could have significant impact (in total, approximately \$16-18 million in annual premiums and \$500 million to the actuarial accrued liability of which approximately \$368 million would relate to the State) on the EUTF retiree plans as follows:

1. Currently, the EUTF retiree plans do not have 100% coverage for contraceptives and breastfeeding. However, this additional coverage is not expected to be significant.
2. EUTF staff seeks clarity on whether coverage under this bill for dependent children until the child turns age 26 applies to the EUTF retiree plans. As a retiree only plan, the EUTF retiree plans are not subject to the Affordable Care Act and the EUTF Board has not added dependent child coverage until the child turns age 26 for the EUTF retiree plans. EUTF retiree medical, prescription drug, dental and vision plans provide coverage for dependent children through age 18 and if they are a full-time student, through age 23. Adding the age 26 provision to the EUTF retiree plans, could add \$16-18 million in annual premiums and approximately \$500 million to the actuarial accrued liability (\$368 million for the State), assuming employers are and will be paying 100% for these retirees.
3. If the additional coverage under 1 and 2 above are added, the employers under Section 87A-33(b), Hawaii Revised Statutes, "...The monthly

contribution by the State or county shall not exceed the actual cost of the health benefit plan or plans and shall not be required to cover increased benefits above those initially contracted for by the fund for plan year 2004-2005..." may decide not to pay for the additional benefits and the retirees, including any 100% retirees, would be responsible for the additional monthly premiums.

Thank you for the opportunity to testify.



# HAWAI‘I CIVIL RIGHTS COMMISSION

830 PUNCHBOWL STREET, ROOM 411 HONOLULU, HI 96813 · PHONE: 586-8636 FAX: 586-8655 TDD: 568-8692

March 14, 2017  
Rm. 229, 9:00 a.m.

To: The Honorable Rosalind H. Baker, Chair  
Members of the Senate Committee on Commerce, Consumer Protection, and Health

From: Linda Hamilton Krieger, Chair  
and Commissioners of the Hawai‘i Civil Rights Commission

**LATE**

Re: H.B. No. 552, H.D.1

The Hawai‘i Civil Rights Commission (HCRC) has enforcement jurisdiction over Hawai‘i’s laws prohibiting discrimination in employment, housing, public accommodations, and access to state and state funded services. The HCRC carries out the Hawai‘i constitutional mandate that no person shall be discriminated against in the exercise of their civil rights. Art. I, Sec. 5.

H.B. No. 552, H.D.1, if enacted, will ensure that certain benefits available under the Affordable Care Act, which may not otherwise be provided under Hawaii’s Prepaid Health Care Act, will continue under Hawai‘i law, in the event that the ACA is repealed.

**The HCRC supports the preservation in state law of ACA protections against discrimination in premiums or contributions based on gender.**

The HCRC has a state civil rights law enforcement interest in eliminating discrimination in employment-based health benefit plans, with jurisdiction and authority to enforce Hawai‘i state fair employment law, which prohibits employers from discriminating on the basis of race, **sex, including gender identity or expression**, sexual orientation, age, religion, color, ancestry, disability, marital status, arrest and court record, or domestic violence or sexual violence victim status, in “compensation or in the terms, conditions, or privileges of employment.” HRS § 378-2(a)(1)(A).

It is a well-accepted fair employment law principle that an employer is legally responsible for

discriminatory fringe benefit plans offered by third parties whom the employer selects to provide a benefit plan for employees. Employers are ultimately responsible for discriminatory compensation, terms, conditions, and privileges of employment, regardless of whether third parties are also involved in the discrimination. *Arizona Governing Committee for Tax Deferred Annuity and Deferred Compensation Plans, et al., v. Norris*, 463 U.S. 1073 (1983), 1089-1090.

Consistent with the HCRC's strong interest in prohibiting discrimination in employer-provided benefit plans, the HCRC strongly supports the prohibition against gender discrimination in premiums or contributions, provided in Sections 4, 5, and 6 of the bill.

The HCRC urges your favorable consideration of these prohibitions against gender discrimination in group or individual health insurance, hospital or medical service plan contracts, and group contract and HMO offerings of group or individual policies, contracts, plans, or agreements.

Written Testimony Presented Before the  
Senate Committee on Commerce, Consumer Protection and Health  
March 14, 2017 9:00 AM  
by  
Linda Beechinor

HB 552, HD1 RELATING TO HEALTH INSURANCE

Chair Baker, Vice Chair Nishihara, and members of the Senate Committee on Commerce, Consumer Protection and Health, thank you for this opportunity to provide testimony in strong support for HB522, HD1 Relating to Health Insurance.

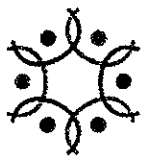
Thank you for taking care of the people of Hawai'i in maintaining these key provisions of health insurance, regardless of what Congress does to with the ACA. These provisions were in place in Hawai'i prior to the institution of the ACA in 2010, and were a model for the rest of our country since the 1970s.

My family and I appreciate your action in anticipating any harm that may come to our valued health insurance provisions, even as the rest of the country may lose them. I respectfully request that HB 552, HD1 pass. Thank you.

Linda Beechinor  
500 Lunalilo Home Road, #27-E  
Honolulu Hawaii USA 96825

phone (808) 779-3001  
e-mail: [L.Beechinor@hawaiiantel.net](mailto:L.Beechinor@hawaiiantel.net)





March 13, 2017

To: Senator Rosalyn H. Baker, Chair  
Senator Clarence K. Nishihara, Vice Chair  
Committee on Commerce, Consumer Protection and Health

From: Deborah Zysman, Executive Director  
Hawaii Children's Action Network

Re: **HB 552 HD 1– Relating to Health Insurance**  
**Hawaii State Capitol, Room 229, March 14, 2017, 9:00 AM**

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**On behalf of Hawaii Children's Action Network (HCAN), we are writing to offer COMMENTS on HB 552 HD 1 – Relating to Health Insurance**

HCAN supports the intention to continue to provide key components of the Affordable Care Act (ACA) to ensure in Hawaii thousands of individuals including many children retain health insurance. Hawaii has been a leader over the years in providing health insurance for residents through pre-paid health insurance. Through this bill, Hawaii can continue to be a model for the rest of the US on how to best care for residents.

However, one of the amendments removed vital protections for children and families – we ask that this be reinstated and that prescription drug, habilitative service, and pediatric oral and vision coverage are added back into the list of essential health care benefits that must be provided by every health insurance policy, plan, contract, or agreement issued in the State.

Many families and children in Hawaii have benefited from the expanded coverage that ACA has provided.

- Over 20 million people, nationwide, gained health insurance through the ACA.
- 6.1 million young adults, ages 19 through 26, gained health insurance through the ACA.
- 54,000 Hawaii residents gained health insurance through the ACA.
- The ACA expanded Hawaii's Medicaid eligibility, meaning more families could qualify for insurance.
- The State of Hawaii has saved millions in uncompensated care costs (unpaid medical bills) through the ACA.
- If repealed, by 2019, 58.7 million people nationwide would be without healthcare.

No matter what happens to the Affordable Care Act on the national level, Hawaii needs to preserve health insurance for its most vulnerable populations including children.

**For these reasons, HCAN respectfully requests that the committee AMMEND this bill.**

HCAN is committed to building a unified voice advocating for Hawaii's children by improving their safety, health, and education. Last fall, HCAN convened input in person and online from more than 50 organizations and individuals that came forward to support or express interest for a number of issues affecting children and families in our state that resulted in the compilation of 2017 Hawaii Children's Policy Agenda, which can be accessed at <http://www.hawaii-can.org/2017policyagenda>.



# Hawai'i Psychological Association

*For a Healthy Hawai'i*

P.O. Box 833  
Honolulu, HI 96808

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Phone: (808) 521-8995

**COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH**  
**Senator Rosalyn H. Baker, Chair**  
**Senator Clarence K. Nishihara, Vice Chair**

**LATE**

**Testimony in Support of HB552 HD1**

March 14, 2017, 9:00 am, Room 229

The Hawai'i Psychological Association endorses HB552 HD1 and its companion bill, SB403 SD2 which will protect mental health services as originally provided for in the Affordable Care Act. Our one concern with both bills has to do with the imposition of cash penalties on those failing to pay for insurance coverage for themselves and their dependents, including adult dependents up to the age of 25. This clause mimics similar language in the ACA that generated considerable criticism and a strong negative response from the public. Practically speaking, the penalties also prove problematic for enforcement. For example, there are many young adult dependents who do not reside with their sponsoring parent(s), who in turn have very limited control over ensuring that the dependent young adult has health insurance coverage meeting legislative requirements. In the case of health care coverage, incentives rewarding compliance may be more effective than penalties imposed for noncompliance.

The Hawai'i Psychological Association strongly supports all other aspects of the bill. Hawai'i psychologists believe that it is in the best interest of the public to ensure mental health and substance use disorder services, including behavioral health treatment, mental and behavioral health inpatient services, and substance use disorder treatment as "essential health care benefits". Research over the past four decades demonstrates that the provision of mental health services (as listed above) not only reduces human suffering, but also results in net savings to the health care economy.

Thank you for this opportunity to offer testimony in support of HB552 HD1.

Respectfully submitted,

Raymond A. Folen, Ph.D., ABPP  
Executive Director

**baker2 - Heath**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 13, 2017 7:26 PM  
**To:** CPH Testimony  
**Cc:** tyamashi@hawaii.edu  
**Subject:** Submitted testimony for HB552 on Mar 14, 2017 09:00AM

**LATE**

**HB552**

Submitted on: 3/13/2017

Testimony for CPH on Mar 14, 2017 09:00AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Tami	Action Wlth Aloha	Support	No

Comments: We need reform because costs are out of control. Decades of research helped to develop ACA, which bent the cost curve some so we have a base line but we must now strategically do more to change - not "repeal and do less."

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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LATE

The Senate  
Committee on Commerce, Consumer Protection and Health  
Tuesday, March 14, 2017  
9:00 a.m.  
Conference Room 229

RE: **HB 552, HD 1: RELATING TO HEALTH INSURANCE**

Senator Rosalyn Baker, Chair  
Members of the Commerce, Consumer Protection and Health Committee

AARP is a membership organization of people age fifty and over with nearly 150,000 members in Hawaii. AARP advocates and provides information on issues that matter to our kupuna and their families, including affordable, accessible, quality healthcare, financial resiliency, and livable communities.

HB 552, HD1 ensures certain insurance protections required under the federal Affordable Care Act remain preserved under the Hawaii law.

AARP Hawaii supports HB 552, HD1 with the following amendment and additional comments.

#### **Proposed American Health Care Act**

AARP opposes any changes in the American Health Care Act (AHCA) that could result in cuts to benefits, increased costs, or reduced coverage for older American. Specifically:

- **Age Tax on Older Americans:** HB 552, HD 1 should include a provision that addresses the age tax. AARP opposes the “age tax” (also referred as *age rating*) on older Americans. The age tax means people in their 50s and 60s who are buying health insurance on their own might have to pay up to \$8,400 per year more than they do now. The AHCA changes the current aging rating from three times more (3:1) to 5 times (5:1) more what younger individuals have to pay.

AARP estimates the impact of both the tax credit changes and 5:1 age rating taken together would increase premiums for older adults by as much as:

- \$3,600 for a 55 year old earning \$25,00 a year;

- \$7,000 for a 64 year old earning \$25,000 a year;
  - \$8,400 for a 64 year old earning \$15,000 a year.
- **Medicaid and Long Term Services and Support:** AARP opposes a per capita cap financing structure (also referred as *block grant*) in the Medicaid program. In FY 2015, Hawaii received \$1.4 billion in federal funding for its Medicaid program. Federal funding for Medicaid could drastically decline under a block grant and these individuals could lose the essential services they need.
    - More than 300,000 Hawaii residents receive health coverage and long term care services and support (LTSS) through Medicaid in FY 2013.
    - 28,000 (9.4%) of Hawaii's Medicaid beneficiaries are low income seniors and
    - 43,000 (14.4%) were children and adults under age 65 with disabilities.
    - 5,526 of these residents received LTSS through Medicaid, including institutional care and Home and Community Based Services (HCBS) in FY 2012.\*\*
  - **Hawaii Prepaid Health Act:** The Hawaii Prepaid Healthcare Act (PPH) is addressed in the ACA and will need to be preserved if ACA is repealed. Over 50% of Hawaii's residents have health coverage due to the State's employer mandate.
  - **Prescription Drugs:** The American Health Care Act repeals the fee on manufacturers and importers of branded prescription drugs, which had been projected to add \$25 billion to the Part B trust fund between 2017 and 2026. There should be more efforts to reduce the burden on high prescription drugs costs.
  - **Medicare:** AARP opposes having the Medicare program be turned into a voucher system. This would replace Medicare's guaranteed benefits with a fixed dollar amount to buy private insurance. Current Medicare beneficiaries who may be 'grandfathered' in the traditional system, still could see their own premiums rise dramatically as health care costs rise.

Thank you for the opportunity to support this important issue and bring attention to the impact of the proposed American Health Care Act will have on Hawaii's older residents.

Reference

\*AARP Public Policy Institute: "Changing Medicare to a Premium Support Model Could Hurt More Than 200,000 Hawaii Residents" (Fact Sheet), January 2017

\*\*AARP Public Policy Institute: "Changing Medicaid to a Block Grant or Per Capita Cap Could Hurt Hawaii Residents" (Fact Sheet: Hawaii), March 2017

**baker2 - Heath**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 14, 2017 8:11 AM  
**To:** CPH Testimony  
**Cc:** hjoseph@marchofdimes.org  
**Subject:** Submitted testimony for HB552 on Mar 14, 2017 09:00AM

**LATE**

**HB552**

Submitted on: 3/14/2017

Testimony for CPH on Mar 14, 2017 09:00AM in Conference Room 229

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lin Joseph	March of Dimes	Support	No

Comments: It is more urgent now that Hawaii preserve the ACA's essential benefits for all people in Hawaii. Mahalo

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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