

The Twenty-Ninth Legislature
Regular Session of 2017

THE SENATE

Committee on Judiciary and Labor

Senator Gilbert S.C. Keith-Agaran, Chair

Senator Karl Rhoads, Vice Chair

Committee on Commerce, Consumer Protection, and Health

Senator Rosalyn H. Baker, Chair

Senator Clarence K. Nishihara, Vice Chair

LATE TESTIMONY

State Capitol, Conference Room 0165

Tuesday, April 4, 2017; 10:15 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.C.R. 80

Urging the Department of Labor and Industrial Relations

To Prepare a Checklist for Employers Wishing to Offer a High Deductible Health Plan for Use with a Health Savings Account to Facilitate the Submission and Approval Process for Employers Seeking Such Packages

The ILWU Local 142 **opposes** adoption S.C.R. 80 as we strongly oppose high deductible health plans coupled with health savings accounts (HSA).

The federal program to allow high deductible health plans and health savings accounts may work on the mainland, but in Hawaii, our Prepaid Health Care Act ensures coverage for most employees and protection from catastrophic health care costs with strong health plan standards.

High deductible health plans with health savings accounts are touted as a means of saving for health costs, but the high deductible feature works to nullify the purpose of health plans for the following reasons.

First, a high deductible plan means the patient must pay for all services up to the deductible amount before the plan pays anything. That could lead an employee to forgo necessary medical services because of the required out-of-pocket costs. Even if the HSA has ample funds to cover the deductible, many individuals may be reluctant to tap into the HSA, thinking to reserve HSA funds for catastrophic needs rather than routine medical care.

Second, forgoing preventive services or routine check-ups may result in a patient waiting to have a condition checked or treated until it becomes a more major problem. Early intervention is always preferred. Delayed treatment usually means higher health care costs in the long run and less satisfactory outcomes for the patient.

Third, if both a high deductible plan and a Prepaid Health Care plan are offered, adverse selection is likely to occur. Healthier employees, who do not need medical services, may be lured by the prospect of HSA tax savings as well as funds potentially deposited into the HSA by the employer and will enroll in a high deductible plan while their not-so-healthy co-workers will have no choice but to remain in the employer's Prepaid Health Care plan, which may very likely cost more.

Fourth, the high deductible plan may impact the prevalent plan under the Prepaid Health Care Act. The prevalent plan is the plan with the greatest number of enrolled individuals. If fewer people enroll in the plan with better benefits (i.e., no deductible), the standard will be eroded and the prevalent plan may become the one with lesser benefits (i.e., high deductible).

Fifth, in prior testimony, the Department of the Attorney General raised a concern about a possible ERISA preemption challenge. Any risk to Hawaii's ERISA preemption should be carefully avoided.

Sixth, consumer education is vital for a high deductible health plan with health savings account to work and for employees to make informed decisions. However, employees may disregard the education (or may not understand it, especially given Hawaii's multi-lingual, multi-cultural population) and see only the tax advantages and the money that can accumulate in an HSA.

S.C.R 80 proposes that DLIR develop a checklist to facilitate submission and approval of the high deductible health plan with a health savings account. In view of the many negatives associated with a high deductible plan, we see absolutely no need for a checklist and S.C.R. 80.

The ILWU respectfully urges that S.C.R. 80 be **HELD**. Thank you for the opportunity to share our views and concerns.



Chamber of Commerce HAWAII

The Voice of Business

LATE TESTIMONY

**Testimony to the Senate Committee on Judiciary and Labor and
the Senate Committee on Commerce, Consumer Protection
and Health**

**Tuesday, April 4, 2017 at 10:15 A.M.
Conference Room 016, State Capitol**

**RE: SENATE CONCURRENT RESOLUTION 80 URGING THE DEPARTMENT OF
LABOR AND INDUSTRIAL RELATIONS TO PREPARE A CHECKLIST FOR
EMPLOYERS WISHING TO OFFER A HIGH DEDUCTIBLE HEALTH PLAN
FOR USE WITH A HEALTH SAVINGS ACCOUNT TO FACILITATE THE
SUBMISSION AND APPROVAL PROCESS FOR EMPLOYERS
SEEKING SUCH PACKAGES**

Chairs Keith-Agaran and Baker, Vice Chairs Rhoads and Nishihara, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent** of HCR 80, which urges the Department of Labor and Industrial Relations to prepare a checklist for employers wishing to offer a high deductible health plan for use with a health savings account to facilitate the submission and approval process for employers seeking such packages.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

Health savings accounts offer employers another way to provide benefits to their employees. We support further discussions of structure as a means for employees to be a greater part of the management of their health and the costs associated with their well-being. We also do not believe this will affect prepaid healthcare or existing plans.

Thank you for the opportunity to testify.

LATE TESTIMONY

April 4, 2017

Committee on Judiciary and Labor
Committee on Commerce, Consumer Protection, and Health

The Honorable Senator Gilbert S.C. Keith-Agaran, Chair
The Honorable Senator Karl Rhoads, Vice Chair
The Honorable Senator Rosalyn H. Baker, Chair
The Honorable Senator Clarence K. Nishihara, Vice Chair

Re:SCR80 – Support for SCR80 and Clarification to SCR80

Dear Chairs Keith-Agaran and Baker, Vice Chairs Rhoads and Nishihara and Members of the Committee:

My name is Howard Lee, and I am President and Chief Executive Officer of University Health Alliance (UHA), a Hawaii mutual benefit society.

UHA appreciates the opportunity to testify in support of SCR80 and the need for a high deductible health plan-health savings account (HDHP-HSA) checklist for employers to use when an employer submits approval to the prepaid health care advisory council and the Department of Labor and Industrial Relations.

UHA also offers one clarification to SCR80's opening paragraph and that is to change the date to 2004. Currently, the resolution reads:

WHEREAS, since January 1, 2014, employers across the nation have had the option, through section 223 of the Internal Revenue...

The resolution should read:

WHEREAS, since January 1, **2004**, employers across the nation have had the option, through section 223 of the Internal Revenue...

HSAs were established through the federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law No: 108-173). The Act allowed employers to begin offering HDHP-HSAs on January 1, 2004.

Thank you for the opportunity to testify today.

Sincerely,



Howard Lee
President and CEO