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TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Monday, February 12, 2018  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2146, H.D. 1, RELATING TO INSURANCE.**

TO THE HONORABLE ROY M. TAKUMI, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify on H.B. 2146, H.D. 1, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner for the Department’s Insurance Division. The Department strongly supports this bill, which is a companion to S.B. 2199, and submits the following comments.

Section 1332 of the Patient Protection and Affordable Care Act (“ACA”) allows states to apply for a state innovation waiver to implement innovative ways to provide access to quality health care that is at least as comprehensive, affordable, and provides coverage to a comparable number of residents of the state that would be covered absent a waiver.

Reinsurance programs in conjunction with section 1332 innovation waivers have been established in other states as a method to help mitigate premium increases in their individual health insurance markets. The waivers provide for “pass-through” funding from the federal government based on savings their reinsurance programs create. The authority provided by this measure is necessary to allow the State to pursue a similar opportunity.

Thank you for the opportunity to testify on this measure.

DAVID Y. IGE  
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February 11, 2018

TO: The Honorable Representative Roy M. Takumi, Chair  
House Committee on Consumer Protection & Commerce

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 2146 HD1 – RELATING TO INSURANCE**

Hearing: Monday, February 12, 2:00 p.m.  
Conference Room 329, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this bill.

**PURPOSE:** The purpose of the bill is to authorize the State to submit a state innovation waiver proposal to the federal government and to implement the conditions of the waiver upon approval by the federal government.

DHS participated in the Affordable Health Insurance Working Group that discussed the ever-increasing costs to our health care system which affect the affordability of our health insurance. One of the recommendations of the group was to submit another state innovation waiver proposal, known as a 1332 waiver, to the federal government for approval. The Department of Commerce and Consumer Affairs' Insurance Division will be lead on this effort.

Also, DHS Med-QUEST division will be submitting a Medicaid waiver renewal known as an 1115 waiver for continued innovations in the Medicaid program. These efforts complement and rely on each other to address the issues of a sustainable health insurance and health care delivery system for our community.

Thank you for the opportunity to testify on this measure.

Testimony of  
Jonathan Ching  
Government Relations Specialist

Before:  
House Committee on Consumer Protection & Commerce  
The Honorable Roy M. Takumi, Chair  
The Honorable Linda Ichiyama, Vice Chair

February 12, 2018  
2:00 p.m.  
Conference Room 329

**Re: HB2146 HD1, Relating to Insurance**

Chair Takumi, Vice-Chair Ichiyama, and committee members, thank you for this opportunity to provide testimony on HB2146 HD1, which authorizes the State to submit a section 1332 state innovation waiver proposal to the federal government and to implement the conditions of the waiver upon approval by the federal government.

**Kaiser Permanente Hawaii SUPPORTS HB2146 HD1**

As the committee is aware, significant uncertainties exist in the individual health insurance market. Last year, the federal government eliminated funding of Cost Sharing Reduction payments, which drove up premiums for many consumers seeking coverage in Hawai'i and across the nation. Both the elimination of the Cost Sharing Reduction payments and the elimination of the penalty associated with the individual mandate has resulted in further uncertainty about the future of the individual market. For this reason, we support the state's efforts to stabilize the individual market, including the creation of a statewide reinsurance program.

Although there is no solution as effective as an enforced individual mandate, an appropriately structured and funded reinsurance program is a step towards reducing individual premiums and promoting stability in the individual market. We saw the role the federal reinsurance program in partnership with risk adjustment played in supporting plans that enrolled higher-risk individuals, thereby protecting issuers against adverse selection within a market and encouraging them to offer products that serve all types of consumers. A state reinsurance program, if appropriately funded and structured, could support adequate levels of coverage while discouraging low-value plans. If appropriately structured, it could also benefit consumers by encouraging more health plan participation in markets where there is not currently enough competition.

If appropriately and sustainably funded and structured, Kaiser Permanente Hawaii could support the implementation of a permanent, state-based reinsurance program in Hawai'i through a State

Innovation Waiver under Section 1332 of the Affordable Care Act (ACA). Similar to the transitional reinsurance program under ACA, we believe a state-based program should be claims-based since health plans have experience with the existing ACA framework. If implemented, the program should include a cap where federal risk adjustment starts (i.e. \$1 million in 2019), with a sufficiently high attachment point to encourage efficient claims management. We note that the Insurance Commissioner is in the process of retaining a third-party consultant to weigh various program design options.

In conclusion, to truly protect and preserve the individual market in Hawai'i, Kaiser Permanente Hawaii recommends that policymakers adopt a state-based individual mandate.

We look forward to having the opportunity to work with the Committee to further HB2146 HD1. Thank you for the opportunity to testify on this measure.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 12, 2018

The Honorable Roy M. Takumi, Chair  
The Honorable Linda Ichiyama, Vice Chair  
House Committee on Consumer Protection and Commerce

Re: HB 2146, HD1 – Relating to Insurance

Dear Chair Takumi, Vice Chair Ichiyama, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2146, HD1, that would allow the State to apply for and implement a waiver from certain provisions of the Patient and Affordable Care Act of 2010 (ACA).

We understand this legislation to be a useful tool to allow the state to provide additional funding and innovative methods of pooling risk to cover health care for high-risk patients with costly medical claims. We look forward to the discussion on the details of the program including the funding mechanism.

Thank you for allowing us to testify on this measure.

Sincerely,

Jennifer Diesman  
Senior Vice-President-Government Relations

**HB-2146-HD-1**

Submitted on: 2/9/2018 4:39:45 PM

Testimony for CPC on 2/12/2018 2:00:00 PM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| Joy Marshall        |                     | Support                   | No                        |

Comments: