

SB 2108

SD1, HD1

A BILL FOR AN ACT

RELATING TO HEALTH CARE ASSISTANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 346, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§346- Health care premium assistance. (a)

5 Notwithstanding any law to the contrary, the department shall
6 provide health care premium assistance for any health insurance
7 costs assessed against an individual as follows:

8 (1) One hundred per cent of health insurance costs for an
9 individual whose family income is at or below the
10 federal poverty level for a family of applicable size;

11 (2) Seventy-five per cent of health insurance costs for an
12 individual whose family income is greater than
13 per cent but less than or equal to per cent of
14 the federal poverty level for a family of applicable
15 size;

16 (3) Fifty per cent of health insurance costs for an
17 individual whose family income is greater than



1 per cent but less than or equal to per cent of
2 the federal poverty level for a family of applicable
3 size; and

4 (4) Twenty-five per cent of health insurance costs for an
5 individual whose family income is greater than
6 per cent but less than or equal to per cent of
7 the federal poverty level for a family of applicable
8 size.

9 (b) The director shall adopt rules pursuant to chapter 91
10 for the purposes of this section."

11 SECTION 2. New statutory material is underscored.

12 SECTION 3. This Act shall take effect on July 1, 3000.



Report Title:

Health Care Premium Assistance; Health Insurance Costs; Federal Poverty Level

Description:

Requires the Department of Human Services to provide a tiered level of health care premium assistance for individuals depending on their family's income as compared to the federal poverty level. (SB2108 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



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DEPARTMENT OF HUMAN SERVICES
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March 20, 2018

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

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2108 SD1 HD1 – RELATING TO HEALTH CARE ASSISTANCE**

Hearing: Wednesday, March 21, 2018 2:15 p.m.
Conference Room 329, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) offers comments.

PURPOSE: The purpose of the bill is to require DHS to provide health care premium assistance for any individual for any of their health insurance costs for individuals at various unspecified income ranges of the federal poverty level.

DHS offers these comments. Currently, the Med-QUEST Division (MQD) of DHS operates a small, targeted premium assistance program limited to those individuals enrolling for health insurance coverage on the Federal marketplace in a silver level plan, with incomes below 100 percent of the federal poverty level (\$13,860 for a household of one; \$23,484 for a household of 3) and who would qualify for Medicaid except for their citizenship status. This population is mostly made up of Hawaii residents from the Compact of Free Association States (Freely Associated States (FAS) of the Marshall Islands, the Federal States of Micronesia, and Palau).¹

¹ The U.S. Department of the Interior does provide the State with an annual grant that is used to offset a small fraction of health care costs of Hawaii residents from Compact Nations.

For state fiscal year (SFY) 2016, MQD paid about \$2.3 million in premium assistance for about 4,000 individuals. This amount was completely state funded. This program has been implemented cooperatively between the Federal Marketplace Issuers and MQD so that it requires little paperwork for the individuals who are receiving the assistance. The premium assistance only covers the premium assistance that the Advanced Premium Tax Credits do not cover.

This bill would expand the current premium assistance program to anyone regardless of what insurance coverage they have, regardless of their income. It would also cover any (all) other health insurance related costs such as deductibles, co-insurance and co-pays proposed in this bill.

For information purposes, according to the Census Bureau, in Hawaii there are about 250,000 households, or 733,500 individuals, at the 300 percent of the federal poverty level. This is about half of the population. For 2017, at 300 percent of poverty, a person made \$41,580 per year, and household of three made about \$70,452. The median household income in Hawaii was \$71,977, and the average household size was 3.06. Additionally, about five percent, or 70,000 to 75,000 individuals of the population are uninsured. However, further research is needed to estimate how many of the uninsured individuals are at specific income levels.

If the bill were to cover up to 300 percent of the federal poverty level, to calculate a rough estimate of the potential fiscal impact, if about half of the uninsured are below the 300 percent federal poverty threshold, and that on average, $\frac{1}{2}$ the premiums were paid, the cost for this group would be about \$115,500,000. This would be totally state funded.

Further, if we assume that of the rest of the population receives similar levels of premium assistance to the current Premium Assistance program, minus the Medicaid population and uninsured, a conservative estimate adds an additional \$50,000,000, which would be 100 percent state funded.

Of note, these estimates only count the premiums, and not the other health insurance related costs that would also be covered with this bill. For consideration, the 200,000 individuals and families covered by the Employees Union Trust Fund (EUTF) pay on average 40 percent of their health insurance costs. Thus, depending on where the family

lands on the income scale, this bill would cover between 25 to 100 percent of the families' annual premium cost, and their maximum out of pocket costs. For example, the maximum out of pocket is \$7,500 in one of the more popular EUTF options. If all 200,000 people sought premium assistance, and their incomes were in the 200 to 300 percent of federal poverty level income range, the cost could be as much as \$375,000,000. This would be 100 percent state funded.

Given the much larger scale envisioned in this bill of all individuals below a certain income threshold and all health insurance related costs, in addition to funding the proposed premium program, the legislature would have to appropriate additional funds for MQD to build more administrative infrastructure to develop and operationalize the proposed program.

Finally, while premium assistance may make health insurance costs more affordable for Hawaii's families, this bill does not address the underlying cost drivers of health care that are leading to unsustainable health care costs. Thus, premiums would continue to increase leading to less and less ability to invest in the other social services or public services that maintain the well-being of individuals and communities.

Thank you for the opportunity to provide comments on this measure.



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**TESTIMONY FOR SENATE BILL 2108, SENATE DRAFT 1, HOUSE DRAFT 1,
RELATING TO HEALTH CARE ASSISTANCE**

House Committee on Consumer Protection and Commerce

Hon. Roy M. Takumi, Chair

Hon. Linda Ichiyama, Vice Chair

Wednesday, March 21, 2018, 2:15 PM

State Capitol, Conference Room 329

Honorable Chair Takumi and committee members:

I am Kris Coffield, representing IMUAlliance, a nonpartisan political advocacy organization that currently boasts over 400 members. On behalf of our members, we offer this testimony in support of Senate Bill 2108, SD 1, HD 1, relating to health care assistance.

Hawai'i residents face the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2017* report found that a full-time worker would need to earn \$35.20/hour to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 in recent years, with minimum wage workers needing to log 116 hours per week to afford a modest one-bedroom apartment at fair market value and 139 hours per week to afford a two-bedroom—a number that is equivalent to working 20 hours a day with no days off year-round. In the past three years alone, Honolulu rent has increased by more than 25 percent. While 43 percent of Hawai'i residents are renters (a number that does not include individuals and families renting outside of the regulated rental market), they earn an average wage of \$15.64/hour, scarcely enough to meet their basic needs. One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, 54 percent of households are cost-burdened, meaning that they pay more than 30 percent of their income for housing costs, a number that rises to 83 percent of extremely low-income households. Homelessness is directly tied to our state's exorbitant cost of living and penchant for catering to people who use the islands as their own private Monopoly board.

We beseech you to seek innovative ways of making Hawai'i more affordable for our economically disadvantaged neighbors, including by increasing assistance for rising health care costs. As of 2017, according to the Department of Human Services, 300 percent of the poverty threshold amounts to \$41,580 per year or \$70,452 for a household of three, just below the state's median household income of \$71,977. According to the United States Census Bureau, approximately 250,000 households, or 733,500 individuals, are living at 300 percent of the federal poverty level or below, with roughly 5 percent of our state's population, or 70,000 to 75,000 people, currently uninsured.

At the same time, Hawai'i health care premiums continue to soar. An estimated 150,000 Hawai'i Medical Service Association members who receive health coverage through large employers will see their premiums rise by an average of 9.3 percent in 2018. An additional 15,000 small business employees can expect their rates to increase by 11.2 percent, while 4,000 individual HMSA plan members will face a 16.9 percent jump in premiums. Kaiser Permanente Hawai'i will likewise increase its premiums in the new year, impacting close to 160,000 workers at large and small businesses. Over 140,000 workers covered through a large employer under Kaiser are set to see a 6.4 percent cost increase, while 19,400 small business employees will absorb an average increase of 5.9 percent. Such insurance premium hikes are unsustainable for working families. To ensure that they don't become victims of medical debt or join the ranks of the uninsured, our state should help them pay for medical coverage, as we continue to develop and establish a universal healthcare system.

Mahalo for the opportunity to testify in support of this bill.

Sincerely,
Kris Coffield
Executive Director
IMUAlliance