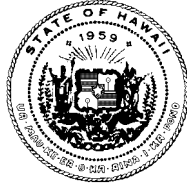


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January 30, 2018

TO: The Honorable Senator Josh Green, Chair  
Senate Committee on Human Services

The Honorable Senator Rosalyn H Baker, Chair  
Senate Committee on Commerce, Consumer Protection and Health

FROM: Pankaj Bhanot, Director

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

Hearing: Wednesday, January 31, 2018, 2:55 p.m.  
Conference Room 16, 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 their health insurance costs for individuals at various income ranges up to three hundred percent of the federal poverty level.

For information purposes, 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. 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. 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 individuals are at what income levels.

DHS offers these comments. Currently, the Med-QUEST Division (MQD) of DHS operates a small, targeted premium assistance program for 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).<sup>1</sup>

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. The premium assistance does not cover other health insurance related costs of deductibles, co-insurance and co-pays proposed in this bill.

To calculate a rough estimate of the fiscal impact of this measure, if about half of the uninsured are below the 300 percent federal poverty threshold, and that on average, ½ the premiums were paid, the cost for this group would be about \$115,500,000. This would be totally state funded.

Of note, this estimate only counts the premiums, and not the other health insurance related costs. 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 that would be 100 percent state funded.

Finally, 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 fell 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

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<sup>1</sup> 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

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.

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.

While premium assistance would 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.

**SB-2108**

Submitted on: 1/23/2018 11:18:50 PM

Testimony for HMS on 1/31/2018 2:55:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
De MONT R. D. CONNER	Ho'omanapono Political Action Committee (HPAC)	Support	No

Comments:

**SB-2108**

Submitted on: 1/24/2018 10:57:59 AM

Testimony for HMS on 1/31/2018 2:55:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez		Support	No

Comments:

**SB-2108**

Submitted on: 1/29/2018 8:59:20 AM

Testimony for HMS on 1/31/2018 2:55:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Joan Gannon	West Hawaii CHC	Support	No

Comments:

I support SB2108