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February 25, 2018

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

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

Hearing: Wednesday, February 28, 2018 11:00 a.m.
Conference Room 211, 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 300 percent of the federal poverty level.

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.

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).¹

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.

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

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.

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.

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: 2/26/2018 12:53:09 PM

Testimony for WAM on 2/28/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

**PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES
DEMOCRATIC PARTY OF HAWAII'**

TO THE COMMITTEE ON WAYS AND MEANS

THE SENATE

TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2018

Wednesday, February 28, 2018

11:00 A.M.

Hawaii State Capitol, Conference Room 211

RE: Testimony in Support of **2108**, RELATING TO HEALTH CARE ASSISTANCE

To the Honorable Donovan M. Dela Cruz, Chair; the Honorable Gilbert S.C. Keith-Agaran, Vice-Chair, and Members of the Committee on Finance:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on Senate Bill No. **2108**, relating to Health Care Premium Assistance; Health Insurance Costs; and Federal Poverty Level.

The OCC Legislative Priorities Committee is in favor of Senate Bill No. **2108** and support its passage.

Senate Bill No. **2108**, is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it requires the department of human services to provide health care premium assistance for individuals at various income ranges up to three hundred per cent of the federal poverty level.

Specifically, the DPH Platform states, "Access to health care is a basic human need. Our citizens and visitors have an inherent right to high quality, high standard health care. The state legislature and the federal government should take all appropriate steps to create and support a health care system of public, for-profit, and nonprofit hospitals and other medical facilities that follow best practices to enhance and protect and preserve life. We support the development of long-term care financing solutions, better pay and working conditions for (Platform of the DPH, P. 7, Lines 361-364 (2016)).

Given that Senate Bill No. **2108** requires the department of human services to provide health care premium assistance for individuals at various income ranges up to three hundred per cent of the federal poverty level, it is the position of the OCC Legislative Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

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