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TO THE HOUSE COMMITTEE ON
FINANCE

TWENTY-NINTH LEGISLATURE
Regular Session of 2018

Tuesday, April 3, 2018
1:30 p.m.

**TESTIMONY ON SENATE BILL NO. 2199, S.D. 1, H.D. 1, RELATING TO
INSURANCE.**

TO THE HONORABLE SYLVIA LUKE, CHAIR, AND MEMBERS OF THE
COMMITTEE:

The Department of Commerce and Consumer Affairs (“Department”) appreciates the opportunity to testify in strong support of S.B. 2199, S.D. 1, H.D. 1, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner for the Department’s Insurance Division.

The purpose of this measure is to authorize the State to submit a state innovation waiver proposal to the federal government pursuant to section 1332 of the federal Patient Protection and Affordable Care Act (“ACA”) and to implement the conditions of the waiver upon approval by the federal government. H.D. 1 amends this measure by changing its effective date to July 1, 3000, to promote further discussion.

Section 1332 of the 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 and affordable as would be provided absent the waiver, and to provide coverage to a comparable number of residents of the state as would be provided coverage 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. Timely implementation of a reinsurance program for the ACA individual marketplace in conjunction with a section 1332 innovation waiver is critical in the coming year. According to the proposed federal timeline for plan year 2019, the rate approval deadline for the ACA individual marketplace is August 22, 2018, with initial rate filings due to states beginning in June 2018.

This measure can serve as the vehicle for this Legislature to create provisions that are necessary for the State to establish a reinsurance program that will be able to take advantage of a section 1332 waiver. Such necessary provisions would include, among other things, describing basic parameters for attachment points, coinsurance rates, payment caps, and identifying an entity to administer the program. Therefore, the Department respectfully requests an “upon approval” effective date.

Thank you for the opportunity to testify in strong support of this measure.



An Independent Licensee of the Blue Cross and Blue Shield Association

April 3, 2018

The Honorable Sylvia Luke, Chair
The Honorable Ty J. K. Cullen, Vice Chair
House Committee on Finance

Re: SB 2199, SD1, HD1 – Relating to Insurance

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2199, SD1, HD1, that authorizes the State to apply for and implement a waiver from certain provisions of the Patient Protection and Affordable Care Act of 2010. HMSA supports SB 2199, SD1, HD1.

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,

Pono Chong
Vice-President, Government Relations

Testimony of
Jonathan Ching
Government Relations Specialist

Before:
House Committee on Finance
The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair

April 3, 2018
1:30 p.m.
Conference Room 308

Re: SB2199 SD1 HD1, Relating to Insurance

Chair Luke, Vice-Chair Cullen, and committee members, thank you for this opportunity to provide testimony on SB2199 SD1 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 SB2199 SD1 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 Hawai‘i 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 Hawai'i recommends that policymakers adopt a state-based individual mandate.

We look forward to having the opportunity to work with the Committee to further SB2199 SD1 HD1. Thank you for the opportunity to testify on this measure.

SB-2199-HD-1

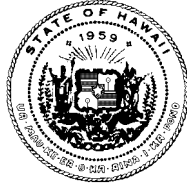
Submitted on: 4/2/2018 1:19:36 PM

Testimony for FIN on 4/3/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

CATHY BETTS
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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LATE

April 3, 2018

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Finance

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2199 SD1 HD1 – RELATING TO INSURANCE**

Hearing: Tuesday, April 3, 2018 1:30 p.m.
Conference Room 308, 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 apply for and implement a waiver from certain provisions of the Patient Protection and Affordable Care Act of 2010, as amended. The Senate Committee on Ways & Means amended the measure by defecting the effective date and making technical amendments.

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.

AN EQUAL OPPORTUNITY AGENCY