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TO THE SENATE COMMITTEE ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Wednesday, January 31, 2018  
9:30 a.m.

**TESTIMONY ON SENATE BILL NO. 2199 – RELATING TO INSURANCE.**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify on S.B. 2199, Relating to Insurance. My name is Gordon Ito, and I am the Insurance Commissioner for the Department's Insurance Division ("Division"). The Department strongly supports this bill and submits the following comments.

Section 1332 of the 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.

Testimony of  
Jonathan Ching  
Government Relations Specialist

Before:  
Senate Committee on Commerce, Consumer Protection, and Health  
The Honorable Rosalyn H. Baker, Chair  
The Honorable Jill N. Tokuda, Vice Chair

January 31, 2018  
9:30 a.m.  
Conference Room 229

**Re: SB2199, Relating to Insurance**

Chair Baker, Vice-Chair Tokuda, and committee members, thank you for this opportunity to provide testimony on SB2199, 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**

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 isn't 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 SB2199. Thank you for the opportunity to testify on this measure.



An Independent Licensee of the Blue Cross and Blue Shield Association

January 31, 2018

The Honorable Rosalyn H. Baker, Chair  
The Honorable Jill N. Tokuda, Vice Chair  
Senate Committee on Commerce, Consumer Protection,  
and Health

Re: SB 2199 – Relating to Insurance

Dear Chair Baker, Vice Chair Tokuda, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2199, 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). HMSA supports SB 2199.

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

**SB-2199**

Submitted on: 1/29/2018 8:51:08 PM

Testimony for CPH on 1/31/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Younghi Overly	NONE	Comments	Yes

Comments:

Dear Chair Baker and members of Senate CPH Committee,

Let me first thank the chair, committee and the members of the Affordable Health Insurance Working Group for their hard work fall of 2017. I appreciated the opportunities to listen in and ask questions.

I have an inherited cancer syndrome and without healthcare insurance, I won't be able to afford the necessary medical tests to detect and treat various cancers in their early stage which I have been able to do so far. So while I understand the need to control high insurance premium costs for the broader pool of insured persons, I am concerned about what the premium costs for high cost insured persons like myself would be with the state reinsurance program. For my husband and I who work as independent consultants, the healthcare cost is already too high and I am afraid that the healthcare would no longer be affordable for me.

For first time in our lives, we wish we lived in another country, one with affordable healthcare. **Please commission a study which will look at both what it will cost to provide universal healthcare in Hawaii but also how we can reduce the total healthcare cost.** The "[Economic Analysis of Healthy California](#)" done by UMass shows that while universal coverage in California could increase the total cost by 10%, a single payer system with reduced administrative cost could decrease the total cost by 18%. Please figure out how to have affordable healthcare in Hawaii for my and other residents of Hawaii but also become a role model for other states.

Thank you for taking time to read my comment and I hope you would take my situation into consideration. .