



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 5, 2016

TO: The Honorable Representative Mark M. Nakashima, Chair
House Committee on Labor and Public Employment

FROM: Rachael Wong, DrPH, Director

SUBJECT: **HB 2369 MAKING EMERGENCY APPROPRIATIONS FOR THE STATE TO COMPLY
WITH THE AFFORDABLE CARE ACT**

Hearing: Friday, February 5, 2016, 9:30
Conference Room 309, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this administration bill to reimburse DHS and the Department of Labor and Industrial Relations (DLIR) to cover expenses for the transition of the functions of the Hawaii Health Connector (HHC), which includes maintenance and operations for the Medicaid eligibility and enrollment system.

PURPOSE: The purpose of this bill is to make an emergency appropriation for fiscal year 2015-16 to reimburse DLIR (\$1,651,510) and DHS (\$3,790,929) for costs associated with maintaining the Medicaid eligibility application of the DHS Enterprise System and the costs incurred with the transfer of the HHC functions to DLIR and DHS in accordance with the Patient Protection and **Affordable Care Act** (ACA) of 2010 (P.L. 111-148). DHS requests an emergency appropriation of **\$3,790,929** in general funds for state fiscal year 2015-2016 for Health Care Payments (HMS 401). If HMS 401 is not replenished, health care payments for Hawaii Medicaid recipients may be impacted. This request for an emergency appropriation includes the following costs:

KOLEA Application Maintenance & Operations	\$704,832
Project Management Organization	\$387,917

AN EQUAL OPPORTUNITY AGENCY

Market Place Assisters	\$787,312
Outreach and Administration:	
(Navigators, Contact Center, Support)	<u>\$1,910,868</u>
Total FY2016	\$3,790,929

The emergency appropriation is needed to cover the maintenance and operations expenses for the DHS Enterprise System, Kauhale On Line Eligibility Assistance (KOLEA) application (**\$704,832**). KOLEA is the eligibility application of the DHS Enterprise System that is used to receive and process applications for medical insurance assistance, the largest program being Medicaid. To comply and implement provisions of the ACA, the State was required to develop the KOLEA application to process and determine eligibility for Medicaid. Continued maintenance and operations of the KOLEA application is also required to maintain compliance with ACA.

In January 2015, the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) found the HHC to be non-compliant with the ACA because it did not meet statutory and regulatory requirements. CMS initiated discussions with Governor Ige to bring Hawai'i into compliance with key requirements of the ACA. As part of the discussions, Governor Ige decided to transition Hawai'i from a State-based Marketplace (SBM) to a SBM using the Federal Platform (SBM-FP) for eligibility and enrollment of individuals and families through a DHS gateway while employer-based plans would be managed by DLIR.

To assist the transition of HHC functions to the State, CMS strongly urged the State and the HHC to contract with a Project Management Organization (PMO) to oversee the transition. The PMO was needed to ensure that the transition incorporate all federal requirements and be accomplished within required timelines.

In August 2015, the entire contract amount of \$440,483 in general funds was transferred from Health Care Payments (HMS 401) to General Support for Health Care Payments (HMS 902) to procure the PMO contract. However, in mid-November 2015, the HHC board voted to accelerate the transfer of HCC functions to the State and wind down the operations of HHC from February 1, 2016 to December 4, 2015.

On November 30, 2015, HHC ceased operations of its contact center, marketplace assister and navigator functions. These outreach functions transferred to the State effective December

1, 2015. With the change in transition date from February 1, 2016 to December 1, 2015, continued PMO services were necessary. The cost of the amended PMO contract for extended services is \$157,250. After the federal Medicaid match, the total contract costs for the Project Management Organization to oversee transition from the HHC to the State-Based Marketplace using the Federal Platform are **\$387,917**.

When the HHC ceased operations on November 30, 2015, the State assumed responsibility for the marketplace assister organizations and navigators. The functions that the marketplace assisters perform are a requirement under the ACA for State-based Marketplaces. Also, since some of the outreach and consumer assistance is on behalf of Medicaid applicants, DHS Medicaid is required by ACA to pay a portion of the costs. The estimated costs allocated for outreach-related costs provided to Medicaid applicants by the Marketplace Assister Organizations (MAOs) is **\$787,312**.

Additional costs for outreach include the estimated costs for Navigator organizations (\$459,375 minus federal Medicaid matching funds, **\$328,453**). DHS supports consumer assistance and outreach with a contract with the contact center that answers questions about both the marketplace and Medicaid, as well as performs the federal requirement to intake Medicaid phone applications (\$1,740,000 net federal Medicaid matching dollars, **\$1,244,100**).

The outreach efforts also require the continued administrative support to ensure as smooth of a transition as possible during open enrollment. Staff were brought on to support the Marketplace Assisters and Navigators (an outreach manager; four outreach coordinators located on Oahu and neighbor islands, and a clerical support person), along with other administrative costs such as materials and travel costs (\$473,168 net federal Medicaid match, **\$338,315**).

The expenses incurred not only ensure compliance with the ACA, but also a smooth transition of the marketplace to the state. This transition has been a collaborative effort between the HHC private sector board members, key legislators, six State departments, the Governor's office, and federal agencies. Because of this partnership, the goal of ensuring uninterrupted access to health insurance coverage to Hawai'i residents has been met, and we continue to move forward with this shared objective.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



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February 3, 2016

To: The Honorable Mark Nakashima, Chair
The Honorable Jarrett Keohokalole, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Friday, February 5, 2016
Time: 9:30 a.m.
Place: Conference Room 309, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. No. 2369 - Making Emergency Appropriations
for the State to Comply with the Affordable Care Act**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

My name is Linda Chu Takayama and I am the Director of the Department of Labor and Industrial Relations (DLIR). We are in strong support of this Administration measure and urge you to give it your full consideration

On December 4, 2015, the private, nonprofit Hawaii Health Connector ceased operations. In order to comply with Federal requirements and ensure that Hawaii residents continue to have access to quality health insurance, the State enlisted the assistance of six departments to effectuate a transition that would incur the least disruption to enrollees.

Under this transitional structure, individuals and families are directed to the Department of Human Services (DHS) for enrollment in Medicaid or the federal exchange. DLIR is taking on the responsibility of (1) overseeing employers who have the option of providing required health plans to their employees through the Prepaid Healthcare Act or the federal exchange by direct enrollment with Kaiser, the only certified Affordable

Care Act (ACA) health plan provider, and (2) managing the Federal grant.

To avoid any disruption for policyholders, DHS and DLIR advanced limited general funds to cover costs. At the same time, we have requested transfer of the Federal ACA grant to DLIR.

This effort required funding and staffing in fiscal year 2015-2016. In order for DLIR to hire staff and fulfill our ACA related requirements, the Department of Budget and Finance allowed DLIR to expend \$1,651,510 in general funds that were previously restricted and intended for other purposes to do the following:

1. Establish five (5) temporary exempt positions to continue necessary operations;
2. Enable a smooth transition and shut down of the Hawaii Health Connector operations.
3. Provide interim funding for the Marketplace Assister Organizations (MAO) that provide critical outreach services in communities across the state to enable individuals and families to re-enroll in the federal exchange;
4. Provide funding to enable IRS Form 1095-As to be generated and distributed to Plan Year 2015 individual and family consumers by January 31, 2016; and

This Emergency Appropriation restores the DLIR general funds so that they may be used for their intended purposes to fulfill our core responsibilities and functions during the current fiscal year.

Thank you for the opportunity to testify. I am prepared to answer any questions you may have.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Labor & Public Employment
Friday, February 5, 2016 at 9:30 A.M.
Conference Room 309, State Capitol**

**RE: HOUSE BILL 2369 MAKING EMERGENCY APPROPRIATIONS FOR THE
STATE TO COMPLY WITH THE AFFORDABLE CARE ACT**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 2369, which makes an emergency appropriation for fiscal year 2015-2016 for the Department of Labor and Industrial Relations and the Department of Human Services to cover short-term costs required to comply with the Affordable Care Act.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill is necessary to ensure Hawaii is compliant with the Affordable Care Act. The Chamber supports the bill as it would assist the two departments that helped cover the maintenance of Medicaid eligibility applications.

Thank you for the opportunity to testify.

The Twenty-Eighth Legislature
Regular Session of 2016

HOUSE OF REPRESENTATIVES
Committee on Labor and Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Jarrett Keohokalole, Vice Chair
State Capitol, Conference Room 309
Friday, February 5, 2016, 9:30 a.m.



**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2369
MAKING EMERGENCY APPROPRIATIONS FOR THE STATE
TO COMPLY WITH THE AFFORDABLE CARE ACT**

The ILWU Local 142 **supports** H.B. 2369, which makes an emergency appropriation for fiscal year 2015-2016 for the Department of Labor and Industrial Relations and the Department of Human Services to cover short-term costs required to comply with the Affordable Care Act.

The Hawaii Health Connector was created as a private nonprofit corporation to meet requirements of the Affordable Care Act (ACA) establish a marketplace exchange for individuals, families, and small businesses to enroll in health plans and access tax credits. Ironically, due to the success of Hawaii's landmark Prepaid Health Care Act, the numbers of residents in Hawaii without health insurance was far less than estimated, and target enrollment numbers were never reached. The Connector became financial unsustainable and was forced to cease operations in December 2015.

Since residents were still obligated to comply with the ACA and obtain health insurance or incur a tax penalty, the State immediately stepped in to assume the functions of the Connector with funds remaining in Connector accounts. However, funds were insufficient to cover expenses, necessitating this request for emergency appropriation through H.B. 2369.

We believe the State must continue to assist individuals and families to enroll in marketplace health plans using the federal platform. If it abandons this function, thousands of individuals and families will be forced to flounder on their own. This includes workers from Hawaiian Commercial & Sugar (HC&S), the last sugar company in Hawaii, which will close down at the end of 2016. Most of the HC&S workers are represented by the ILWU and, while they will be offered COBRA continuation coverage, the premium cost may be prohibitive for many of them who will be forced to consider a marketplace plan and will need assistance.

The ILWU urges passage of H.B. 2369 so that the State may continue its role in ensuring that Hawaii as a state and Hawaii residents can comply with the Affordable Care Act.

Thank you for the opportunity to offer testimony on this measure.