



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON JUDICIARY AND LABOR
AND WAYS AND MEANS

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Wednesday, February 24, 2016
10:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2894, S.D. 1 – RELATING TO HEALTH
INSURANCE.**

TO THE HONORABLE GILBERT S.C. KEITH-AGARAN AND JILL N. TOKUDA, CHAIRS,
AND MEMBERS OF THE COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of
the Department of Commerce and Consumer Affairs (“Department”).

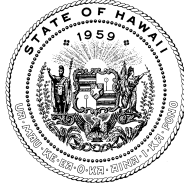
The Department strongly supports this bill.

The Department has been working closely with the Department of Labor and
Industrial Relations, the Department of Human Services, and other government entities
in transitioning insureds from the Hawai`i Health Connector to the federal platform. The
Affordable Care Act requires exchanges as part of the delivery mechanism for health
insurance. This bill greatly enables the State to continue with progress as a state-based
marketplace utilizing the federal platform for individuals and families, and in reducing
the uninsured rate and cost of uncompensated care for vulnerable populations across
Hawaii.

We thank the Committees for the opportunity to present testimony on this matter
and respectfully request that this bill be passed.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813

www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dlir.director@hawaii.gov

February 22, 2016

To: The Honorable Gilbert S.C. Keith-Agaran, Chair,
The Honorable Maile S.L. Shimabukuro, Vice Chair, and
Members of the Senate Committee on Judiciary and Labor

To: The Honorable Jill N. Tokuda, Chair,
The Honorable Donovan M. Dela Cruz, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 24, 2016
Time: 10:00 a.m.
Place: Conference Room 211, State Capitol

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

Re: S.B. No. 2894 SD1 Relating to Health Insurance

Chair Keith-Agaran, Chair Tokuda, Vice Chair Shimabukuro, Vice Chair Dela Cruz, and
Members of the Committees:

My name is Linda Chu Takayama and I am the Director of the Department of Labor and
Industrial Relations. We are in strong support of this 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 to 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.

At this time, the Hawaii Health Connector has no staff and insufficient resources to operate a state exchange as required by chapter 435H, HRS. Federal managers have indicated they will not provide additional grant funds for the establishment of another private state-based marketplace exchange. A separate bill (SB 2383 SD1) is moving through the legislative process to repeal the Hawaii Health Connector.

In the meantime, the State is working with the Federal agencies to provide a new framework for enrollment that will comply with Federal mandates. We have requested transfer of the Federal ACA grant to DLIR, but are unable to receive grant monies until a new state exchange is named. To avoid any disruption for policyholders, DHS and DLIR advanced limited general funds to cover costs but cannot continue to do so.

As a result of the extraordinary efforts of the Connector's private sector board members, key legislators, and the staff of six departments plus the Governor's office, along with Federal partners, we were able to sail through a tumultuous transition period in which there was no resident in our state who did not have access to health insurance.

The transition is not over. This bill includes the statutory requests we need to get us through the next year. The items requested by DLIR include:

1. Establishing a new state health insurance exchange in DLIR to meet the requirements of the Federal act;
2. Authorizing DLIR to operate a small business health options program (SHOP) under Federal requirements;
3. Enabling health plans qualified by the Insurance Commissioner to be certified by DLIR for inclusion in the state exchange;
4. Allowing DLIR to collect issuer fees;
5. Providing six (6) temporary exempt positions in DLIR to meet the Federal requirements; and
6. Appropriating \$1.165 million for operating expenses in fiscal year 2016 - 2017.

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



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 23, 2016

TO: The Honorable Gilbert Keith-Agaran, Chair
Senate Committee on Judiciary & Labor

The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways & Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: SB 2894 SD 1 Relating to Insurance

Hearing: Wednesday, February 24, 2016, 10:00 a.m.
Conference Room 211, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this administration bill to sustain the state's Prepaid Health Care Act (1974) and continue Hawai'i's leadership in ensuring health insurance coverage for all of its residents by transitioning state-based marketplace functions to various state agencies, including outreach activities, with DHS Med-QUEST division.

PURPOSE: The purpose of the bill is to preserve the benefits of the Prepaid Health Care Act for Hawaii residents and to ensure a smooth transition from a state-based marketplace to a state-based marketplace using the federal platform for individuals and families, and to develop a system to allow small businesses to continue to take advantage of tax credits afforded by the Affordable Care Act.

One of the necessary functions that needs continuation is outreach and consumer assistance for health insurance, including Medicaid. These functions will be provided by DHS. Since Hawai'i has been a leader in providing health insurance coverage for decades, the remaining uninsured population is more difficult to reach using conventional means and must rely on more grassroots, community-level

efforts. To meet that need, DHS will contract with community groups as navigator/marketplace assister organizations. The outreach efforts also require the continued development of communication materials, supplies, travel, and other administrative support. In addition, there is a continued need for a contact center to answer questions about both the marketplace and Medicaid, as well as the federal requirement to intake Medicaid phone applications. As these are not functions that have been provided by DHS in the past, we estimate the need for additional staff to be able to perform these functions: an outreach manager; four outreach coordinators located on Oahu and neighbor islands; a purchasing specialist to assist with the additional contracts; a financial specialist to help track all the various budget items and funding sources; and a clerical support person. These outreach efforts align with overall Medicaid and DHS goals of supporting healthy families and communities because access to health insurance and health care is a critical component of the vitality and health of our families and community. DHS also looks forward to the continued engagement with our sister agencies as we continue to transition to the state-based marketplace using the federal platform.

The appropriation request for \$2,918,788 in general funds breaks down as follows:

Description		Fed matching funds @ 28.5%	General Fund Request
Premium Assistant TPL	\$ 35,000		\$ 35,000
Purchasing Specialist III	\$ 49,000	\$ 13,965	\$ 35,035
Communications/Content Producer	\$ 53,000	\$ 15,105	\$ 37,895
Outreach Manager	\$ 80,000	\$ 22,800	\$ 57,200
Outreach Coordinator	\$ 62,000	\$ 17,670	\$ 44,330
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Outreach Coordinator	\$ 62,000	\$ 17,670	\$ 44,330
Outreach Coordinator	\$ 62,000	\$ 17,670	\$ 44,330
Outreach Clerical	\$ 40,000	\$ 11,400	\$ 28,600
Communications and Outreach	\$ 250,250	\$ 71,321	\$ 178,929
Contact Center	\$ 2,445,000	\$ 696,825	\$ 1,748,175
Navigator Grants	\$ 360,000	\$ 102,600	\$ 257,400
MAO Grants	\$ 362,220	\$ 103,233	\$ 258,987
Travel, Supplies, and Support	\$ 145,800	\$ 41,553	\$ 104,247
FY2017 Total:	\$ 4,068,270	\$ 1,149,482	\$ 2,918,788

Thank you for the opportunity to testify on this bill.