



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

March 28, 2013

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 306, S.D.1 - RELATING TO MEDICAID**

Hearing: Thursday, March 28, 2013; 2:00 p.m.  
Conference Room 308, State Capitol

**PURPOSE:** The purpose of this bill is to extend the termination date of the Medicaid Buy-In Task Force to June 30, 2014 and requires submission of an interim and final report.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this measure. The DHS supports eliminating barriers to Medicaid recipients becoming gainfully employed. The concern by the community is that as Medicaid recipients become employed, their increased income would make them ineligible for Medicaid. Two issues identified as barriers are affordability of individual health insurance policies and coverage of certain benefits, specifically specialized behavioral health services and home and community-based services.

The Affordable Care Act (ACA) creates a new avenue for individuals to access affordable health insurance which is subsidized based on income (and there is no asset limit). The amount of premiums paid for qualified health plans purchased through the health insurance exchange is expected to be less than premiums paid in the majority of Medicaid buy-in

programs. Depending on the premiums for a Medicaid buy-in program in Hawaii, the health insurance exchange is likely to be more affordable. However, individuals covered by Medicare are not eligible for federal subsidies through the health insurance exchange and Medicare eligibility is not needs-based.

Certain benefits are not included in the qualified health plan's benchmark benefit package or covered by Medicare. Disabled individuals have communicated that the benefits of greatest concern are specialized behavioral health services for individuals with a serious mental illness and home and community-based services for individuals who meet nursing facility level of care. The goal, therefore, is to provide affordable access to these services while maximizing federal funding.

The amount of federal funding available through the health insurance exchange in the form of advance premium tax credits and cost-sharing reduction for eligible individuals exceeds the amount of federal funding that would be available if the individuals were enrolled in Medicaid. In the exchange, federal subsidies might cover 70% of the cost, but in Medicaid the federal match is only approximately 50%. In addition, because the cost of commercial insurance typically increases faster than Medicaid insurance, the amount of federal funding available through the health insurance exchange will increase faster than in Medicaid. However, most disabled individuals are Medicare eligible after two years of disability.

The implication of the federal funding sources is that it may cost fewer State funds to have individuals purchase through the health insurance exchange and have a State-only funded program for specialized behavioral health services and home and community-based services compared to having a Medicaid buy-in program. In the former, the State would pay the full cost of those selected benefits, but in the latter the State would half the cost of an individual's healthcare including medications, outpatient visits, procedures, and hospitalizations. In addition, the State already has a *Medicare* buy-in program in which the State pays the

Medicare premiums. Lastly, individuals can choose a Medicare Part C health plan instead of Parts A and B to reduce their out of pocket costs.

A consideration that affects the decision on a buy-in program is the broader policy issue on who should have access to specialized behavioral health services. Currently only Medicaid recipients and the uninsured have access. Individuals with a serious mental illness who have commercial health insurance do not have access to specialized behavioral health services. Many of the uninsured who have access to specialized behavioral health services through the Department of Health's Adult Mental Health Division will lose that access if they obtain coverage through the health insurance exchange. The Kupuna Care program is an existing State-funded home and community-based services program with sliding scale co-payments.

An alternative approach to provide affordable access to desired benefits, but expected to be at greater cost to the State, would be through Medicaid options such as a Medicaid buy-in program, expansion population through the 1115 demonstration waiver, or possibly a 1915i waiver. The DHS agrees that more time would be useful to ensure that the various options and State budget impact are understood in order to make an informed policy decision.

The DHS has not had a buy-in program as a result of its Medicaid expansion and the Pre-paid Health Care Act. The DHS provided coverage to individuals up to 200% of the federal poverty level (with an asset limit), before reducing to 133%, with numerous income disregards including half of earned income, and individuals working more than 20 hours are eligible under Pre-paid. A buy-in program would serve current Medicaid beneficiaries as well as currently Medicaid ineligible individuals who become eligible for the buy-in.

Thank you for the opportunity to testify on this measure.



**STATE OF HAWAII**  
STATE COUNCIL  
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March 28, 2013

The Honorable Sylvia Luke, Chair  
House Committee on Finance  
Twenty-Seventh Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

Dear Representative Luke and Members of the Committee:

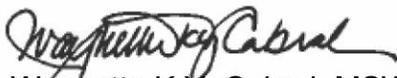
SUBJECT: SB 306 SD1– RELATING TO MEDICAID

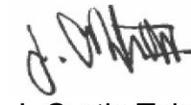
The State Council on Developmental Disabilities **SUPPORTS SB 306 SD1**. The bill extends the termination date of the Medicaid Buy-In Task Force to June 30, 2014, and requires an interim and final report.

The Council is a member of the Medicaid Buy-In Task Force and welcomes the opportunity to engage in continued discussion on the Medicaid Buy-In proposal. We agree that in light of the imminent implementation of the Affordable Care Act (ACA), more discussions are needed to approach ACA with the Medicaid Buy-In on how to best allow individuals with disabilities to work without risk of losing their Medicaid coverage.

Thank you for the opportunity to submit testimony in **support of SB 306 SD1**.

Sincerely,

  
Waynette K.Y. Cabral, MSW  
Executive Administrator

  
J. Curtis Tyler III  
Chair



# Community Alliance for Mental Health

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To: The Hawai'i State House of Representatives Committee on Finance  
Re: SB 306, SD 1

To: The Honorable Representative Luke and the members of the committee.

Aloha,

The Community Alliance for Mental Health along with United Self Help supports SB 306, SD1. More time will be required to flesh out the full implications of the Affordable Care Act before we can proceed with this issue.

Mahalo,  
Robert Scott Wall  
Vice-President