

LATE

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 17, 2009

MEMORANDUM

TO: Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 1205, S.D. 2 – RELATING TO TEMPORARY HEALTH INSURANCE
FOR UNEMPLOYED PERSONS**

Hearing: Tuesday, March 17, 2009, 8:30 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to establish a temporary health insurance program for unemployed individuals. Places the program in the Department of Human Services and appropriates general funds.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this bill because of the current economy's impact on the ability of Hawaii residents to maintain health coverage. DHS has some concerns which are indicated below.

It's important to note that for children, they are eligible for our QUEST program if the household income is 300% of the federal poverty level or less. If a household member loses his or her job, we encourage them to apply on behalf of their children for QUEST coverage. For example, a family of four can earn over \$76,000 annually and

qualify. DHS encourages any parent who has lost a job or might otherwise have an income below this threshold to apply for QUEST for their children. For children in families with a household income exceeding this threshold, a private low cost health plan already exists.

In addition, the American Recovery and Reinvestment Act (ARRA) provides some relief for those who have become unemployed and are eligible to purchase COBRA. The ARRA has specific provisions for the Federal government to pay for 65% of COBRA payments for individuals who have been involuntarily terminated from employment. This subsidy does not involve the State.

However, some adults who have had involuntary loss of or decrease in employment may not be able to afford their subsidized COBRA premiums. For those who cannot afford a full benefit insurance plan, QUEST-ACE could provide a limited insurance benefits package.

Please note that the bill should reference QUEST-ACE, not QUEST-NET because QUEST-NET includes the State Children's Health Insurance Plan, i.e. QUEST enrollment for children. QUEST-ACE provides medical coverage to childless adults between age 19 through 64 who could not receive QUEST benefits due to the QUEST enrollment cap. The annual benefits of QUEST-ACE include 12 outpatient visits, 10 inpatient days, 6 mental health visits, emergency room services, and prescription drugs limited to certain antibiotics and contraceptives.

If this bill is passed, DHS is concerned that we would have to administer a new program in which adults would have to pay the full premium for QUEST-ACE coverage. DHS would require additional funding and staff to be able to administer the program and not compromise other administrative responsibilities to meet Federal requirements.

Administering this new program would be labor-intensive to verify eligibility and collect monthly premiums from all participants.

Additionally, if those who private-pay into QUEST-ACE, as proposed by this bill, are high medical utilizers, then the premiums could increase, because the QUEST-ACE pool would be altered, which would, therefore, correspondingly increase the cost to the State because DHS currently pays the premiums for those individuals who qualify under the QUEST-ACE income and asset tests. To be eligible for QUEST-ACE, countable annual income cannot exceed 200% of the Federal Poverty Level (FPL) or \$23,928 for a single adult and \$32,208 for a married couple.

Finally, although the bill refers to temporary insurance, the bill does not specify a maximum duration of benefits. We recommend a one-year pilot to evaluate the program's effectiveness and cost to the State. The proposed program would have to be entirely State funded.

Thank you for the opportunity to testify on this bill.