

# LATE TESTIMONY



NEIL ABERCROMBIE  
GOVERNOR

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LT. GOVERNOR

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OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2011

Tuesday, March 15, 2011  
8:30 a.m.

**TESTIMONY ON SENATE BILL NO. 1348, S.D. 2 – RELATING TO THE HAWAII  
HEALTH INSURANCE EXCHANGE.**

TO THE HONORABLE RYAN I. YAMANE, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department supports the intent of this bill which creates a health insurance exchange for Hawaii. However, we wish to offer the following comments.

We agree that action to create a health insurance exchange is advisable. Under the Patient Protection and Affordable Care Act ("PPACA"), the Secretary of Health and Human Services is scheduled to determine Hawaii's ability to create an exchange in 2013 and the exchange must be up and running by 2014. Given the size of the task, we believe implementation should start soon and the first step is establishing the statutory framework for the exchange.

We understand that using private sector employees affords greater flexibility to the exchange. However, we should point out that under PPACA, the exchange does the following things: (a) certify, recertify, and decertify health plans; and (b) certify

exemptions from the individual purchase mandate under PPACA. Giving private sector employees the ability to determine legal rights of citizens and access of insurers to the market, is something that can be done, but careful consideration on this issue should be undertaken. Unintended consequences such as legal challenges may arise.

It may be advisable not to defer the determination of the composition of the board of directors until after the state health insurance exchange task force makes recommendations on that point. If we can establish a board sooner rather than later, then they can hire an executive director and begin implementation. Otherwise, implementation may be delayed and it may be difficult to meet the federal deadlines.

We thank this Committee for the opportunity to present testimony on this matter.

# LATE TESTIMONY

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA McMANAMAN.  
DIRECTOR

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DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
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March 15, 2011

## **MEMORANDUM**

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1348 S.D. 2 - RELATING TO HAWAII HEALTH INSURANCE  
EXCHANGE**

Hearing: Tuesday, March 15, 2011; 8:30 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of the bill is to establish the Hawaii health connector to create a health insurance exchange pursuant to the federal Patient Protection and Affordable Care Act of 2010; create the Hawaii health insurance exchange council under a board of directors; create a board of directors; and create a task force to recommend policies and procedures to implement the governance of the health insurance exchange.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports the intent of the bill but believes that more expediency is necessary

According to section 431: -E (b), the board cannot begin meaningful operations until more than a year from now. This leaves very little time to develop the insurance exchange.

Having a more explicit and expedient timeline for the task force to develop board member criteria and conflict of interest policies is important. Perhaps board members can be appointed, also with a specified date, after these items are approved by the task force. The board should be able to immediately begin its functions by being able to hire consultants, outside experts, and professional specialists as needed using available funds.

Having the staffing plan developed by the board instead of the task force may be more appropriate, and the plan can be submitted to the 2012 Legislature for out-year support.

We otherwise defer to the Department of Commerce and Consumer Affairs.

Thank you for the opportunity to provide testimony on this bill.

# LATE TESTIMONY



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March 15, 2011

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

From: 'Ohana Health Plan

Re: Senate Bill 1348, Senate Draft 2 –Relating to the Hawai'i Health Information  
Exchange

Hearing: March 15, 2011, 8:30 a.m.  
Hawai'i State Capitol, Room 329

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Since February 2009, 'Ohana Health Plan has provided services under the Hawai'i QUEST Expanded Access (QExA) program. 'Ohana is managed by a local team of experienced health care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.3 million Medicaid and Medicare members nationwide. 'Ohana has utilized WellCare's national experience to develop an 'Ohana care model that addresses local members' healthcare and health coordination needs.

We support the intent of Senate Bill 1348, Senate Draft 2-Relating to the Hawai'i Health Information Exchange as it is a necessary action to help Hawai'i prepare for the 2014 deadline of having an exchange up and running pursuant to the Patient Protection and Affordable Care Act (PPACA) in order to retain our State's regulatory control over all aspects of its domestic insurance industry.

While we do have some concerns about having a non-government entity with the ability to determine eligibility and access of insurers to the marketplace, we are optimistic that these are issues that can be addressed through the task force, which we hope to have the opportunity to be included in.

Thank you for this opportunity to share these comments on Senate Bill 1348, Senate Draft 2 –Relating to the Hawai'i Health Information Exchange.



# Hawaii Pharmacists Association **LATE TESTIMONY**

**President**  
Selma Yamamoto, PharmD, BCPS

**President-Elect**  
Jeani Jow, PharmD, BCPS

**Past-President**  
Wesley Sumida, PharmD, BCPS

**Treasurer**  
Marcella Chock, PharmD

**Secretary**  
Nicole Pagoyo, PharmD

**To: HOUSE COMMITTEE ON FINANCE**  
Senator Marcus R. Oshiro, Chair  
Senator Marilyn B. Lee, Vice Chair

**Re: HB1384 RELATING TO PRESCRIPTION MEDICATION - IN SUPPORT**

**Chairs & Committee Members:**

The Hawaii Pharmacists Association (HPhA) is the only professional pharmacy association in Hawaii and has approximately 350 members. The Hawaii Pharmacists Association strives to advance and support the practice of pharmacy by improving the quality of care throughout the healthcare continuum in collaboration with our patients and members of the healthcare team.

**HPhA SUPPORTS this measure.** The prior authorization process actually starts with the pharmacist when a prescription claim is denied by the pharmacy benefit manager (PBM) of an insurance company. As an advocate for the patient, the pharmacist evaluates the reason for the denial and works with the prescriber to provide the medication to the patient. When a prior authorization is required, it's the pharmacist who deals directly with patients and their medical situation. It is the pharmacist who is faced with assessing the urgency of the patient's condition and whether the delay in medication therapy is critically important.

Each PBM/insurance company has different drug formularies and policies on emergency fills when prior authorizations are needed. Current pharmacy computer systems are programmed to handle differences in formularies, but differences in manual prior authorization processes have grown so complex that pharmacists, as with their medical counterparts, have struggled with the administrative burden and meeting patient medication needs.

Standardization of the prior authorization process will define the most efficient steps that pharmacists, prescribers and PBM/insurers should take to prevent delays in medication therapy and unnecessary paperwork. For instance, each insurer has different policies and practices for emergency supplies of medications while the prior authorization paper work is completed. A 7-day emergency supply via a HMSA-type online override code might serve as the Statewide best practice standard.

Since Pharmacy practice is affected as much as Medical practice, if the John A. Burns School of Medicine (JABSOM) does not elect to lead this task force, HPhA would be willing to do so.

Please pass this measure, to create a professionally led effort to make the insurance industry act more responsibly to patients and providers.

Mahalo for the opportunity to testify.

Respectfully submitted,

Selma Yamamoto, Pharm.D., BCPS  
President, Hawaii Pharmacists Association

**WEB SITE [www.HiPharm.org](http://www.HiPharm.org)**  
**Hawaii Pharmacists Association is a non-profit trade organization 501(c)(6)**



# LATE TESTIMONY

To: House Committee on Health  
Representative Ryan I. Yamane, Chair

Date: March 15, 2011, Conference Room 329, 8:30am.

Re: **SB 1348, SD2, RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE**

Chair Yamane and Committee Members:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 150,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP is in **strong support** of SB 1348 SD2, that establishes a state health insurance exchange task force to implement the Hawaii Health Insurance Exchange as provided in the federal Patient Protection and Affordable Care Act (ACA) of 2010.

The implementation of the Hawaii Health Insurance Exchange will reduce health care costs and provide health insurance coverage for Hawaii's uninsured population. Additionally it will benefit consumers by:

- Providing a single, centralized, insurance market that enables individuals and families to purchase health insurance.
- Making health insurance more affordable and accessible by providing an organized market for the purchase of health insurance.
- Providing access and facilitate comparison and selection of health insurance plans by providing more and better information about health insurance options.
- Working in tandem with Hawaii's current Prepaid Health Care Act, Chapter 393, Hawaii Revised Statutes.
- Providing seamless transitions among private plans, Medicaid, and state health programs.
- Facilitating other key features of federal health care reform legislation.

We urge you to support the passage of SB 1348 SD2, as it will help consumers obtain affordable health insurance for themselves and their families. It will also help provide needed health insurance for the approximate 10% of our uninsured population.

Thank you for the opportunity to submit my testimony.



# LATE TESTIMONY

*The Official Sponsor of Birthdays*

March 14, 2011

Committee on Health  
Representative Ryan Yamane, Chair  
Representative Dee Morikawa, Vice Chair

**Hearing:**

March 15, 2011, 8:30 a.m.  
Hawaii State Capitol, Conference Rm. 329

**RE: SB 1348, SD2 – Relating to the Hawaii Health Insurance Exchange**

**Testimony in Strong Support**

Chair Yamane, Vice Chair Morikawa, and members of the Committee on Health. Thank you for the opportunity to offer this written testimony in strong support of SB1348, SD2, which would establish the Hawaii Health Connector to create a health insurance exchange pursuant to the recently passed federal Patient Protection and Affordable Care Act.

For over thirty years, Hawaii's prepaid health care act has served our state well. As you know, it became the model and blueprint for the nation's endeavor to reform health care. Because of our prepaid health care act, Hawaii has one of the healthiest populations and one of the lowest rates for uninsured individuals in the country. Nonetheless, Hawaii has not been immune to many of the health care challenges that the rest of the country faces and is attempting to address accessibility, quality, and cost. Although our individual health care costs are low when compared to the rest of the nation, they have been rising. These include increases in health insurance premiums, co-payments, and prescription drug cost.

We see the creation of the Health Insurance Exchange as an effective way to address these and other challenges. We are certain that a well-run health insurance exchange in Hawaii will allow people to find other affordable health care options in an expanded and competitive market place.

We applaud the legislature for addressing the insurance exchange creation early on. We also support the creation of a nonprofit entity for its operation. There are certain efficiencies within a nonprofit corporation that will allow it to respond rapidly to the many changes that will be encountered as the Health Insurance Exchange evolves.



In preparing for this testimony, we did a side-by-side comparison of SB1348, SD2 and the House version, HB1201, SD1. After doing so, we believe that this bill, SB1348, SD2, should be the preferred vehicle. It is in much better alignment with the Society's vision of what an effective Health Insurance Exchange should look like and provides for consumer representation on the board thus insuring greater transparency. In addition, **Section 4. (d)** permits DCCA to hire temporary staff outside the constraints of the civil service. Because of the short timeline to have the exchange up and running, those employed by the exchange will need flexibility to respond quickly to the myriad of changes that they will most certainly encounter.

As we move forward, we have two thoughts regarding the powers that the exchange should have, and the source of sustainable funding.

**Powers** – We believe that exchange must possess the power to drive improvements in the quality of care, and generate cost savings for consumers and businesses, especially our small business community. To accomplish this, the exchange will need the authority to limit participation in the exchange, and to negotiate rates and other components of plan offerings. Specifically:

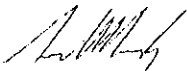
- Authority to limit the number of plans in the exchange based on established criteria;
- Ability to negotiate rates or other components of plan offering, such as provider networks, or reimbursement of transportation cost for care gives; and
- Ability to quickly remove a carrier for poor performance or unacceptable premium increases.

**Funding** – We recommend that an exchange fee be levied against all insures in the market place (not just those in the exchange). By doing so, the sustainability of the exchange is assured.

The implementation of Hawaii's Health Exchange will be critical in harmonizing the various benefits of our Prepaid Health Care Act with those of the Patient Protection and Affordable Care Act. If done correctly, our residents will experience real improvement in their ability to access, choose, and purchase comprehensive and affordable health coverage that meets their specific needs.

Thank you for the opportunity to offer this testimony here today.

Respectfully,



George S. Massengale, JD  
Director of Government Relations