THE SENATE
HOUSE OF REPRESENTATIVES
THE TWENTY-SEVENTH LEGISLATURE
INTERIM OF 2013

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NOTICE OF INFORMATIONAL BRIEFING

DATE: Wednesday, October 9, 2013
TIME: 9:00am-Noon and 1:30pm-3:30pm
PLACE: Conference Room 329
State Capitol
415 South Beretania Street

A G E N D A

The purpose of this informational briefing is to receive an update from the Hawai`i Health Connector and various state agencies regarding implementation of Hawaii's insurance exchange and other matters relating to the implementation of the Affordable Care Act (ACA). The Insurance Commissioner will discuss concerns regarding new insurance requirements of the ACA and its impact on rates and population groups among other health insurance regulatory matters. Representatives of the Department of Labor and Industrial Relations and Office of the Governor will discuss the convergence of Hawaii's Prepaid Health Care law and ACA for businesses and consumers as well as overall ACA implementation as a part of Hawaii's healthcare transformation. Finally, the Department of Human Services representative will update the Committees on implementation of the Medicaid expansion, the interface with the Health Connector and DHS role in ACA implementation.

A subsequent informational briefing will focus on the broader Hawai`i healthcare system transformation effort being led by the Office of the Governor.

Hearing SEN CPN-HTH-HMS-CPC-HLT-HUS 10-09-13 Info

The following individuals are invited to participate:

1. Coral Andrews, Executive Director, Hawaii Health Connector
2. Gordon Ito, Insurance Commissioner, Department of Commerce and Consumer Affairs
3. Tom Matsuda, ACA Implementation Manager, Officer of the Governor
4. Ed Wang, Prepaid Health Care Program Chief, Department of Labor and Industrial Relations
5. Dr. Kenny Fink, Administrator, Med-Quest Division, Department of Human Services

No public testimony will be accepted.

If you require auxiliary aids or services to participate in the informational briefing (i.e. ASL or foreign language interpreter, or wheelchair accessibility), please contact the committee clerk at least 24 hours prior to the briefing so that arrangements can be made.

For further information, please call the Committee Clerk at **808-586-6070.**

This informational briefing will be broadcasted by Capitol TV.

Rep. Angus L.K. McKelvey
Chair

Senator Rosalyn H. Baker
Chair

Rep. Della Au Belatti
Chair

Senator Josh Green
Chair

Rep. Mele Carroll
Chair

Senator Suzanne Chun Oakland
Chair

Rep. Joseph M. Souki
Speaker of the House

Senator Donna Mercado Kim
President of the Senate

HAWAIʻI HEALTH
CONNECTOR
October 9, 2013

Joint Informational Briefing

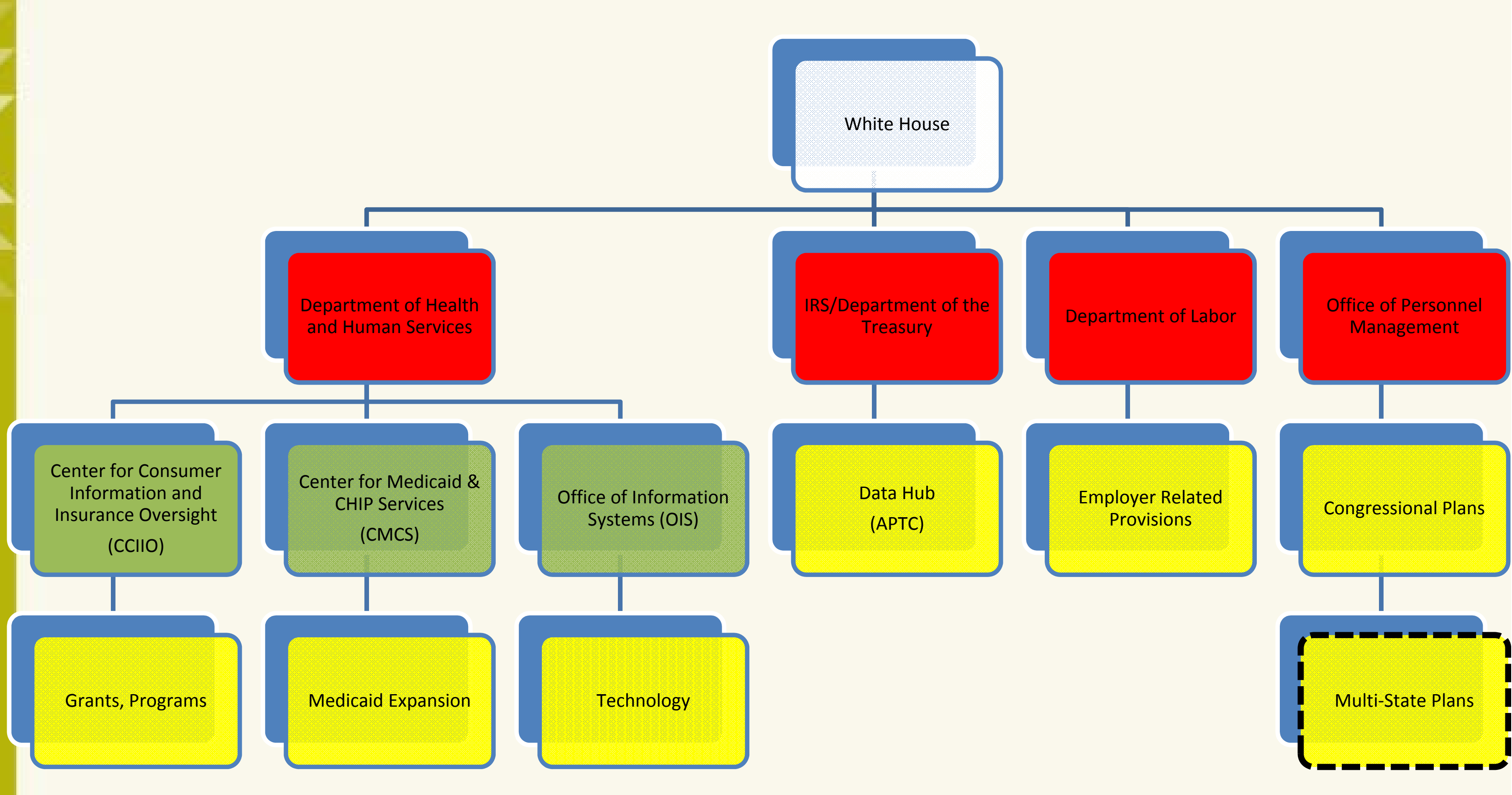
Senate Committees on:
Commerce and Consumer Affairs,
Health, and Human Services

House Committees on:
Consumer Protection & Commerce,
Health, and Human Services

Nationwide Marketplace Implementation

- Affordable Care Act (March 2010) created an opportunity for states to create their own health insurance marketplaces
- States could create their own marketplace or let the federal government run a marketplace in a state
- Hawai'i state enabling legislation Act 205 (July 2011)
- 17 states are provided conditional approval to operate State-based Marketplaces

Federal Oversight



WA health exchange website hits snags on launch day

THE SPOKESMAN-REVIEW

Health website experiencing opening-day troubles

OREGONLIVE
Powered by: The Oregonian

Oregon's health insurance exchange still can't enroll, check tax credits; browsers welcome

TheBuffaloNews.com

New York health exchange website experiences rough start

Nevada insurance exchange gets off to bumpy start

Glitches persist on Maryland health insurance exchange

Software and servers may not be adequate, analysts suggest

StarTribune

MNsure health insurance exchange gets off to a halting start

Hawaii Health Connector

- Purpose: To enable access to affordable health coverage
- Outcome: Make Hawai‘i healthier and happier
- Approach: How we engage residents to apply, shop & enroll to obtain coverage
  - “No wrong door” – Marketplace Assisters, Contact Center, online
  - Enroll by December 15, 2013

Our Vision and Approach

- A focus on consumers & community
- A focus on January 1, 2014

10/1/13	1/1/14 Coverage Begins	3/31/14
	Open Enrollment	

We will enable Hawaiʻi residents to obtain health insurance so that they may see their health care provider in January.

Tactics to Engage Consumers & Communities

- Public Awareness and Education Campaign
- Contact Center
- Hi`i Ola Program
- Investment in Marketplace Assister Organizations (MAOs)
- In-Person Assisters (Kōkua)

Connector & Online Marketplace

Website	Connector	**Live**
Contact Center	Connector	**Live**
Hii Ola Program	Connector	**Live**
Kōkua (Marketplace Assistors)	Connector	**Live**
Online Application (non-financial)	Connector	**Ready**
Shop and Compare & APTC	Connector	**In Progress**
Plan Management Module	Connector	**Live**
Small Business SHOP (Employer & Employee)	Connector	**Employer Ready**

Connector Marketplace: Day 1 Statistics

INDIVIDUAL APPS	**1025**
SHOP APPS	**156**
CALLS	**1257**

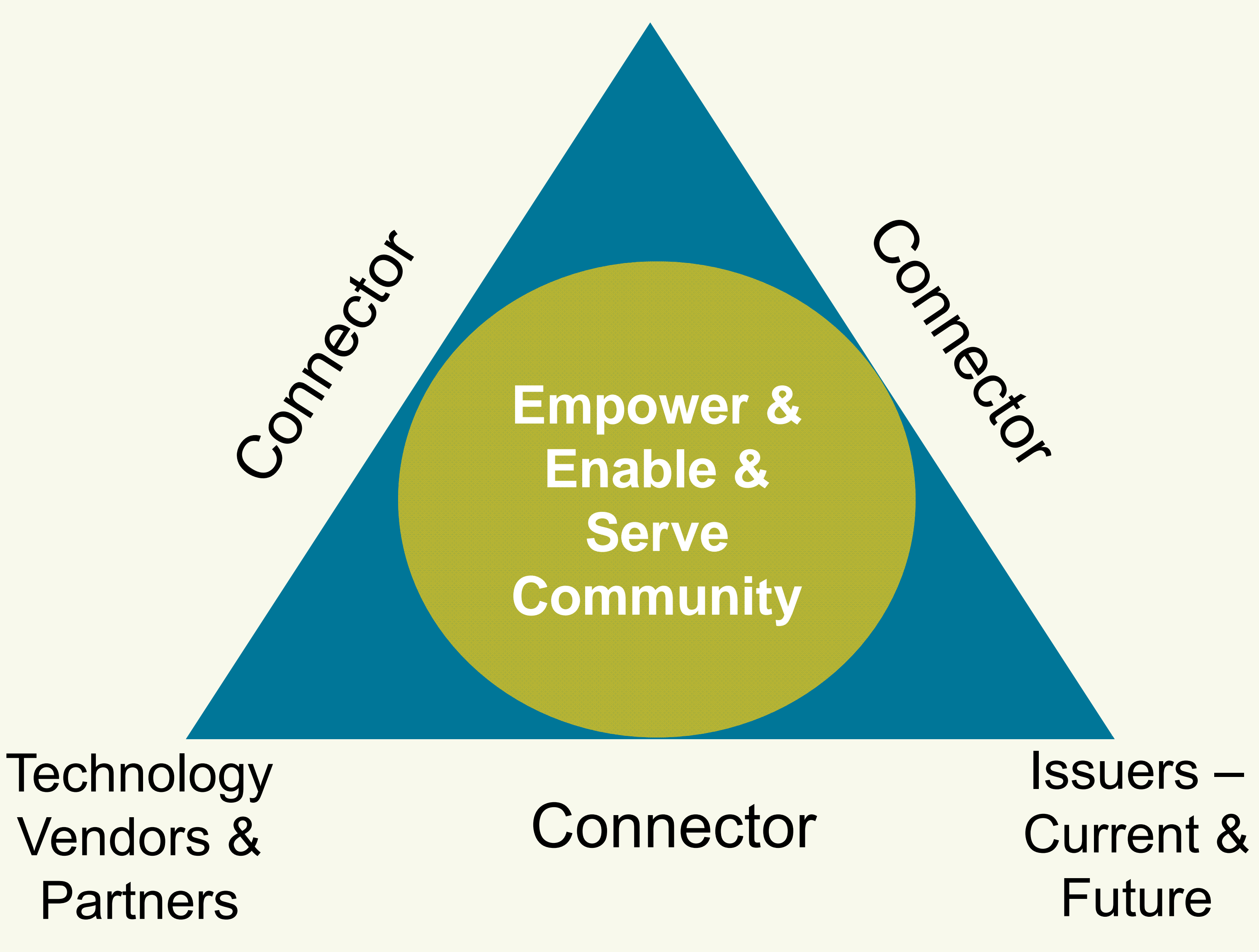
Consumer & Community Efforts: Hi‘i Ola Program

- Marketplace Assistor Organizations (MAOs) and Certified Application Counselors (CACs)
  - Background Checks
  - Training and Certification
- MAOs supported by Connector Program Specialists
- MAOs develop outreach and education plans

Consumer & Community Since 2012

- Statewide Outreach and Education
- Children and Youth Day
- Senior Fair
- Molokai Community Health Center & Na Pu‘uwai Community Event – October 1st
- Over 250 events from January – June 2013
- Contact Center opened September 15, 2013

Locations of MAOs and Kōkua


Government – Federal, State & Local
Connector
Connector
Empower & Enable & Serve Community
Technology Vendors & Partners
Connector
Issuers – Current & Future

The Voice of the Community

Reminder: Coverage begins January 1st.

. . .

Reminder: Small businesses – current plans continue, SHOP Portal

hawaiihealthconnector.com

mahalo.

Patient Protection and Affordable Act

Healthcare Reform

- On March 23, 2010, the Patient Protection and Affordability bill (PPACA) passed and signed into law on March 31, 2010
- **Federal preemption of state-based insurance regulation**
- September 2010, mandates started

In March 2010, President Obama signed comprehensive health reform into law. The following timeline provides implementation dates for key provisions in the law.

2010

Insurance Reforms

- Establish a temporary national high-risk pool to provide health coverage to individuals with pre-existing medical conditions. (Effective 90 days following enactment until January 1, 2014)
- Provide dependent coverage for adult children up to age 26 for all individual and group policies.
- Prohibit individual and group health plans from placing lifetime limits on the dollar value of coverage and prior to 2014, plans may only impose annual limits on coverage as determined by the Secretary. Prohibit insurers from rescinding coverage except in cases of fraud and prohibit pre-existing condition exclusions for children.
- Require qualified health plans to provide at a minimum coverage without cost-sharing for preventive services rated A or B by the U.S. Preventive Services Task Force, recommended immunizations, preventive care for infants, children, and adolescents, and additional preventive care and screenings for women.
- Provide tax credits to small employers with no more than 25 employees and average annual wages of less than $50,000 that provide health insurance for employees.
- Create a temporary reinsurance program for employers providing health insurance coverage to retirees over age 55 who are not eligible for Medicare. (Effective 90 days following enactment until January 1, 2014)
- Require health plans to report the proportion of premium dollars spent on clinical services, quality, and other costs and provide rebates to consumers for the amount of the premium spent on clinical services and quality that is less than 85% for plans in the large group market and 80% for plans in the individual and small group markets. (Requirement to report medical loss ratio effective plan year 2010; requirement to provide rebates effective January 1, 2011)
- Establish a process for reviewing increases in health plan premiums and require plans to justify increases. Require states to report on trends in premium increases and recommend whether certain plans should be excluded from the Exchange based on unjustified premium increases.

Medicare

- Provide a $250 rebate to Medicare beneficiaries who reach the Part D coverage gap in 2010 and gradually eliminate the Medicare Part D coverage gap by 2020.
- Expand Medicare coverage to individuals who have been exposed to environmental health hazards from living in an area subject to an emergency declaration made as of June 17, 2009 and have developed certain health conditions as a result.
- Improve care coordination for dual eligibles by creating a new office within the Centers for Medicare and Medicaid services, the Federal Coordinated Health Care Office.
- Reduce annual market basket updates for inpatient and outpatient hospital services, long-term care hospitals, inpatient rehabilitation facilities, and psychiatric hospitals and units.
- Ban new physician-owned hospitals in Medicare, requiring hospitals to have a provider agreement in effect by December 31; limit the growth of certain grandfathered physician-owned hospitals.

Medicaid

- Create a state option to cover childless adults though a Medicaid state plan amendment.
- Create a state option to provide Medicaid coverage for family planning services up to the highest level of eligibility for pregnant women to certain low-income individuals through a Medicaid state plan amendment.
- Create a new option for states to provide Children's Health Insurance Program (CHIP) coverage to children of state employees eligible for health benefits if certain conditions are met.
- Increase the Medicaid drug rebate percentage for brand name drugs to 23.1% (except the rebate for clotting factors and drugs approved exclusively for pediatric use increases to 17.1%); increase the Medicaid rebate for non-innovator, multiple source drugs to 13% of average manufacturer price; and extend the drug rebate to Medicaid managed care plans.
- Provide funding for and expand the role of the Medicaid and CHIP Payment and Access Commission to include assessments of adult services (including those dually eligible for Medicare and Medicaid).
- Require the Secretary of HHS to issue regulations to establish a process for public notice and comment for section 1115 waivers in Medicaid and CHIP.

Prescription Drugs

- Authorize the Food and Drug Administration to approve generic versions of biologic drugs and grant biologics manufacturers 12 years of exclusive use before generics can be developed.

HEALTH REFORM IMPLEMENTATION TIMELINE — Last Modified: June 15, 2010 1

Fall 2010 Mandates

Coverage improvements

- No lifetime maximum
- No unreasonable annual limits
- Guaranteed issue and guaranteed renewability
- Coverage for children up to 26 years old
- More preventive care coverage without cost sharing
- No rescissions except for fraud
- Federal high risk pool 2014

January 1, 2014
ACA key provisions…

- Individual mandate
- Guarantee issue of coverage
  - no-preexisting conditions exclusion
- Metal level plans – Platinum, Gold, Silver, and Bronze
- Individual & Small Group Plans
  - 10 Essential Health Benefits and the Benchmark Plan
  - Prescription drugs, pediatric dental and vision and habilitative services
- Premium and cost sharing subsidies

Individuals, Businesses and the Connector

- **Individuals**
  - Must purchase health insurance
    - 2014 - $95 penalty per adult, $287 for family
    - 2015 - $325 penalty, $975 for family
    - 2016 - $695 penalty, $2,085 for family
    - Policy must contain the 10 EHBs
    - Subject to new rating rules
  - Reduced out of pocket between 139% to 400% of poverty level
  - Medicare, Medicaid, Large Employer Groups
    - Don't have to do anything

Subtitle F—Shared Responsibility for Health Care

PART I—INDIVIDUAL RESPONSIBILITY

SEC. 1501 [42 U.S.C. 18091]. REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

(a) FINDINGS.—Congress makes the following findings:

(1) IN GENERAL.—The individual responsibility requirement provided for in this section (in this subsection referred to as the "requirement") is commercial and economic in nature, and substantially affects interstate commerce, as a result of the effects described in paragraph (2).

(2) EFFECTS ON THE NATIONAL ECONOMY AND INTERSTATE COMMERCE.—[*Replaced by section 10106(a)*] The effects described in this paragraph are the following:

(A) The requirement regulates activity that is commercial and economic in nature: economic and financial decisions about how and when health care is paid for, and when health insurance is purchased. In the absence of the requirement, some individuals would make an economic and financial decision to forego health insurance coverage and attempt to self-insure, which increases financial risks to households and medical providers.

(B) Health insurance and health care services are a significant part of the national economy. National health spending is projected to increase from $2,500,000,000,000, or 17.6 percent of the economy, in 2009 to $4,700,000,000,000 in 2019. Private health insurance spending is projected to be $854,000,000,000 in 2009, and pays for medical supplies, drugs, and equipment that are shipped in interstate commerce. Since most health insurance is sold by national or regional health insurance companies, health insurance is sold in interstate commerce and claims payments flow through interstate commerce.

Levels of Coverage

- **Platinum** – 90/10- covers 90% of actuarial value of benefits
- **Gold** – 80/20 - covers 80% of actuarial value of benefits
- **Silver** – 70/30 - covers 70% of actuarial value
- **Bronze** – 60/40 - covers 60% of actuarial value

! **Catastrophic** - high-deductible plan for young up to age 30 and those exempt from individual mandate

- **Metal levels apply to:**
  - Individuals
  - Non-Prepaid Employees

ACA and its impact on premiums

For the Individual and Small Group

- No rating based on health status
- Maximum age variation of 3:1 (ages 19-64)
- Maximum variation based on tobacco use of 1.5:1
- Actuarially justified variation based on geographic areas (state may set areas)
- Family rates built up based on age and tobacco use of each member

Individual premiums in 2014

Individual Plans	Age 21	Age 30	Age 40	Age 50	Age 60
Average Platinum Plan Premium	$240	$272	$306	$428	$650
Average Gold Plan Premium	$205	$233	$262	$367	$557
Average Silver Plan Premium	$169	$192	$216	$302	$458
Average Bronze Plan Premium	$120	$136	$154	$215	$326

Rates compared to other states

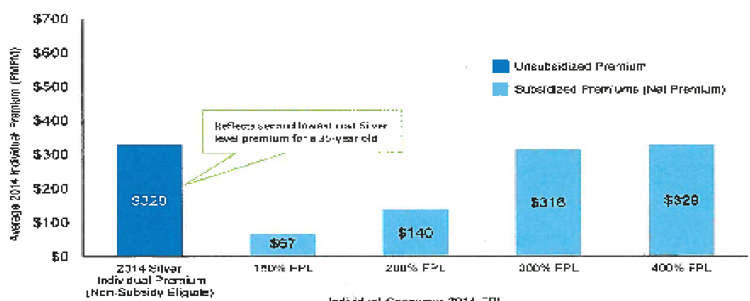
Avalere Health Study Comparison (Silver Level Nonsmoker)			
State	21-Year-Old	40-Year-Old	60-Year-Old
Hawaii	**$169**	**$216**	**$458**
Maryland	$203	$260	$552
Washington DC	$206	$276	$593
Rhode Island	$227	$290	$615
Connecticut (high)	$280	$358	$764

Advance Premium Tax Credit

2013 Poverty Guidelines for Hawaii				
Persons in Family	**100% FPL**	**133% FPL**	**250% FPL**	**400% FPL**
1	$13,230	$17,596	$33,075	$52,920
2	$17,850	$23,741	$44,625	$71,400
3	$22,470	$29,885	$56,175	$89,880
4	**$27,090**	**$36,030**	**$67,725**	**$108,360**
5	$31,710	$42,174	$79,275	$126,840
6	$36,330	$48,319	$90,825	$145,320
7	$40,950	$54,464	$102,375	$163,800
8	$45,570	$60,608	$113,925	$182,280

ACA and impact on premiums…

Figure 7.5 2014 Premiums in the Individual Market for a 35-Year Old Non-smoker



Costs for the Low Income Population

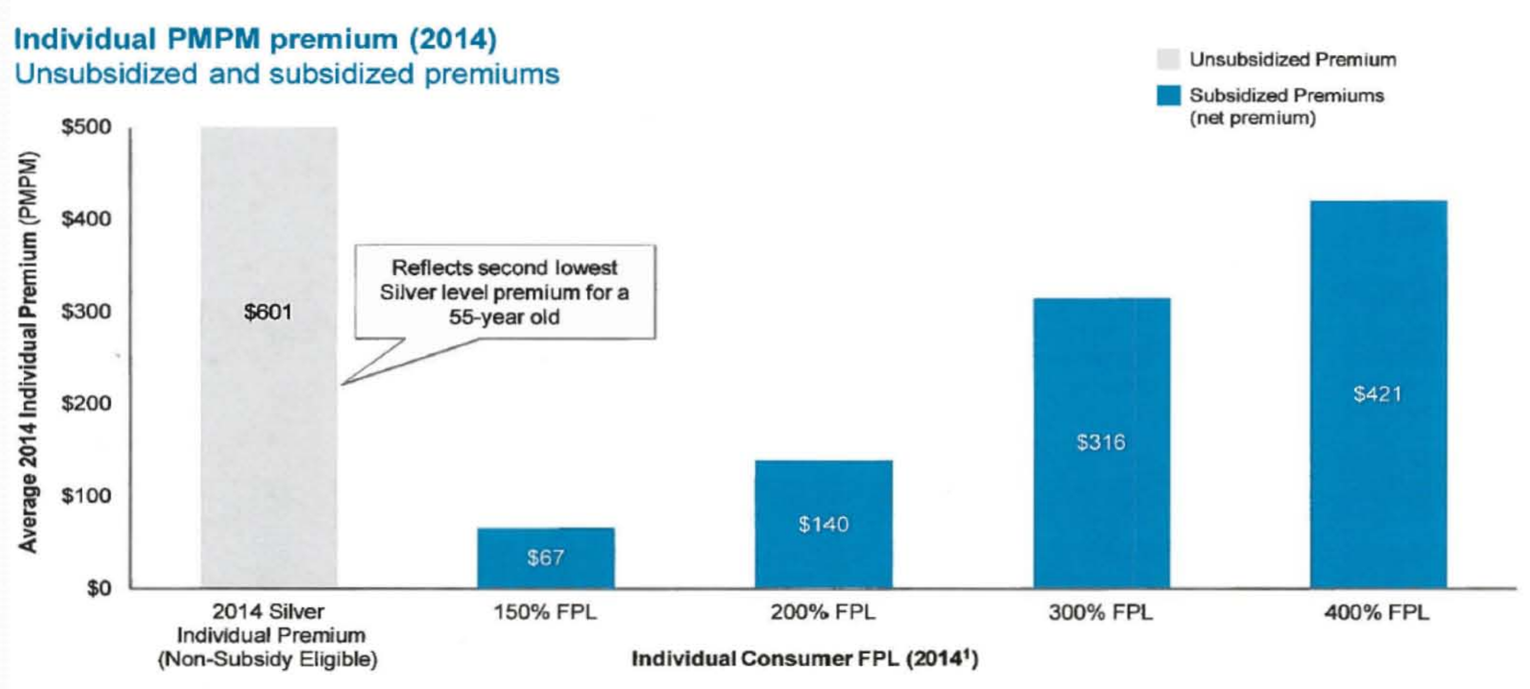
The following table presents the estimated average monthly cost a 40-year old non-smoker would have to pay for subsidized premium and cost sharing in the Connector, at various income levels, over the period from 2014 through 2018. The premiums were calculated using the applicable percent of income as outlined in the ACA; cost sharing amounts are based on microsimulation modeling performed to estimate average claims costs for a 40-year old with average morbidity in the individual market with reduced cost sharing requirements for the applicable income level.

Table 7.4: Subsidized Premium and Cost Sharing in the Connector 2014-2018

Income as a % of FPL	2014	2015	2016	2017	2018
100%	$47	$50	$51	$54	$57
138%	$75	$78	$81	$84	$87
144%	$83	$87	$89	$93	$96
150%	$121	$126	$130	$136	$143
175%	$154	$160	$165	$172	$179
200%	$194	$201	$207	$215	$222
250%	$324	$336	$346	$360	$373
300%	$428	$443	$456	$473	$489
400%	$534	$551	$566	$587	$604

We note that ACA provides that premium and cost sharing subsidies for lawfully present immigrants with incomes below 100% FPL who are ineligible for Medicaid due to not meeting minimum

ACA and impact on premiums…



Impact to Small & Large Businesses

- **Small Businesses**
  - ACA has no requirement to provide health insurance
  - Subject to Hawaii's Prepaid Healthcare Act
  - Policy must contain the 10 EHBs
  - Subject to new rating rules
  - Tax credit up to 50% of healthcare premiums in 2014
- **Large Businesses**
  - Only subject to Prepaid, 10 EHBs do not apply to it
  - Not eligible for tax credits

Rating impact on small businesses

Individual Plans	Age 21	Age 30	Age 40	Age 50	Age 60
Average Platinum Plan Premium	$240	$272	$306	$428	$650
Average Gold Plan Premium	$205	$233	$262	$367	$557
Average Silver Plan Premium	$169	$192	$216	$302	$458
Average Bronze Plan Premium	$120	$136	$154	$215	$326

- Health status no longer used as a rating factor
  - Presently – base rate, adjusted up or down by loss experience
  - Jan. 1, 2014 – based upon composition of small business

Impact on Health Rates

- Rates will go up
  - CRG
    - 2013 6.8% (4.8% medical & drug, 2.0% ACA fees)
      Initial request – 8.5%
    - 2012 2.6% Initially request - 3.9%
    - 2011 3.7% **Average medical – 3.7%**

    - 2010 7.6%
    - 2009 12.7% **Average – 9.35%**
    - 2008 9.9%
    - 2007 7.2%

Market segment

Projected membership by market segment

Scenario Assumptions

Small Group Definition	100
Markets Merged	No
BHP	No

51K must enroll in the Connector to receive subsidies; 306K total eligible to enroll in the Connector

Membership By Market Segment

Market	2010	2014	2015	2016	2017	2018
Individual - Subsidy Eligible	0	51,000	54,000	57,000	58,000	60,000
Individual - Non-Subsidy Eligible	44,000	48,000	53,000	56,000	57,000	60,000
Small Group	151,000	207,000	210,000	212,000	213,000	215,000
Mid Group (51 - 100)	63,000	0	0	0	0	0
Medicaid/CHIP (Excl. Duals)	193,000	250,000	253,000	254,000	251,000	250,000
BHP	0	0	0	0	0	0
Uninsured	104,000	46,000	39,000	35,000	36,000	34,000

	2010	2014	2015	2016	2017	2018
Uninsured Rate	7.8%	3.2%	2.7%	2.4%	2.4%	2.3%

Small Business Tax Credits

- Available to small business who provide health insurance to its employees
- Already in effect – tax year 2010
  - Business who are eligible?
    - Few than 25 full-time employees
    - Average annual wages of less than $50,000
    - Employer pays at least 50% of the premium
  - 16,300 Hawaii small businesses are eligible (81.3% of all businesses)
    - 4,900 are eligible for maximum credit

Small Business Tax Credits

- Total value of the credit for tax year 2011: $15.4 billion.
  - Average of $800 in savings per employee
  - Tax credits on a sliding scale:
    - Up to 35% of premium expenses for 2010-13
    - Up to 50% of premium expenses for any two years beginning 2014
  - Tax credits do not cover premiums expensed of owners, their families
  - Tax credits cannot be claimed by self-employed
  - Still available as an amendment to 2010 or carried back to 2010 tax year
  - Increases to 50% in 2014

Small Business Tax Credit

Figure 2: Phaseout of the Credit for Small Businesses as a Percentage of Employer Contributions to Premiums, for 2010 to 2013

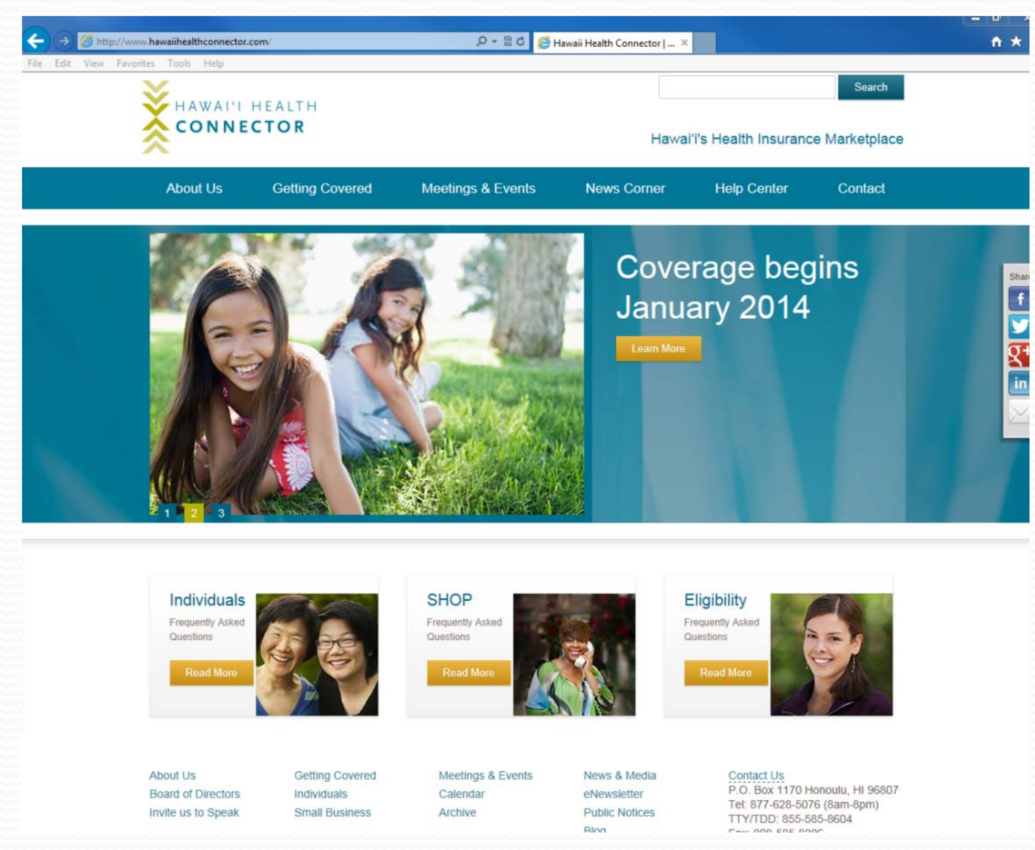
	Average wage					
Number of FTEs	$25,000 and less	$30,000	$35,000	$40,000	$45,000	$50,000
10 and fewer	35%	28%	21%	14%	7%	0%
11	33%	26%	19%	12%	5%	0%
12	30%	23%	16%	9%	2%	0%
13	28%	21%	14%	7%	0%	0%
14	26%	19%	12%	5%	0%	0%
15	23%	16%	9%	2%	0%	0%
16	21%	14%	7%	0%	0%	0%
17	19%	12%	5%	0%	0%	0%
18	16%	9%	2%	0%	0%	0%
19	14%	7%	0%	0%	0%	0%
20	12%	5%	0%	0%	0%	0%
21	9%	2%	0%	0%	0%	0%
22	7%	0%	0%	0%	0%	0%
23	5%	0%	0%	0%	0%	0%
24	2%	0%	0%	0%	0%	0%
25	0%	0%	0%	0%	0%	0%

Source: Congressional Research Service

Note: GAO adapted the graphic from Congressional Research Service, *Summary of the Small Business Health Insurance Tax Credit Under PPACA (P.L. 111-148)* (Washington, D.C.: Apr. 5, 2010).

Hawaii Health Connector
Subsidies and Tax Credits

- Hawaii Health Connector
  - Live Oct. 1, 2013
  - Web based portal through which individuals and small businesses can purchase qualified health plans
- Starting Jan. 1st, individuals and small business can access subsidies and small business credits only if QHP purchased through the Connector



Hawaii Health Connector Functions

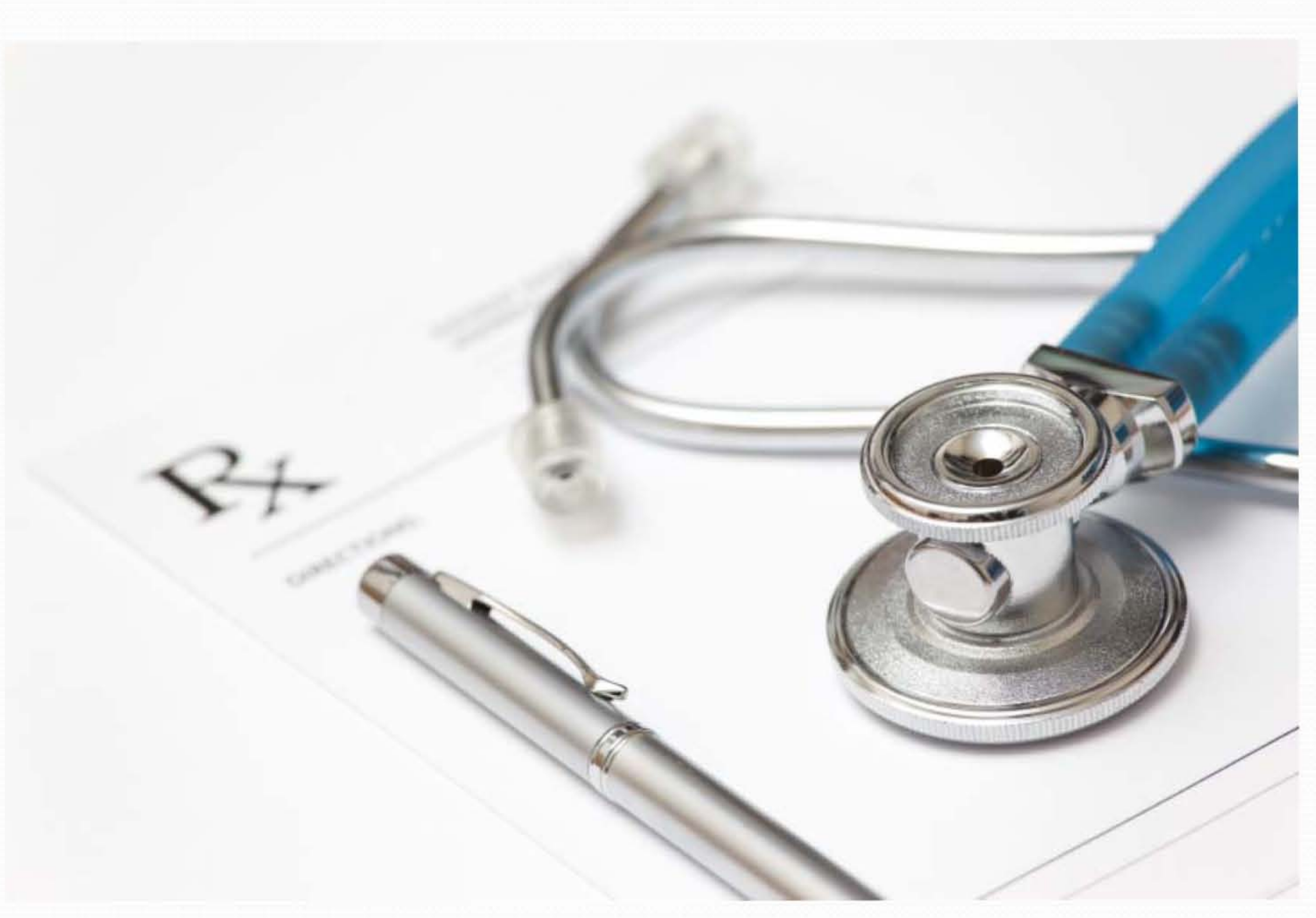
- **Subsidy Calculator**
- **Premium Assistance for Coverage in Exchanges**
- **About This Tool**
- This tool was developed by the Kaiser Family Foundation to illustrate health insurance on premiums and subsidies for people purchasing insurance on their own in new health insurance exchanges (or "Marketplaces") created by the Affordable Care Act (ACA). You can enter different incomes, ages, and family sizes to get an estimate of your eligibility for subsidies and how much you could spend on health insurance. For more information on methodology and to read answers to frequently asked questions, click here.
- **Enter Information About Your Household**
- 1. Select a State
- ?
- Enter your zip code
- Select county
- 2. Enter annual income (dollars)
- ?
- 3. Is employer coverage available?
- ?
- 4. Number of people in family
- ?
- 5. Number of adults (21 and older) enrolling in exchange coverage
- 6. Number of children (20 and younger) enrolling in exchange coverage
- How many Children use Tobacco?
- Submit

- Make available a calculator to determine the actual cost of coverage after subsidies
- Transfer to the Treasury a list of exempt individuals and employees eligible for tax credit
- Establish a Navigator program, Call Center, Assister

Total confusion

- 95 plans to choose from
- Four essential terms
  - MOOP
  - Deductible
  - Co-Pay
  - Co-Insurance

Why Healthcare Reform?



Growth of health insurance premiums far outpaces workers' earnings and overall inflation

Growth rate index of family health insurance premiums, workers' earnings, and overall inflation, 1999-2009

Growth rate index (1999=100)

240
230
220
210
200
190
180
170
160
150
140
130
120
110
100
90

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

Family health insurance premiums (+131.0%)

Workers' earnings* (+38.1%)

Overall inflation** (+28.8%)

* Workers' earnings as measured by average hourly earnings for private sector production workers.

** Overall inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

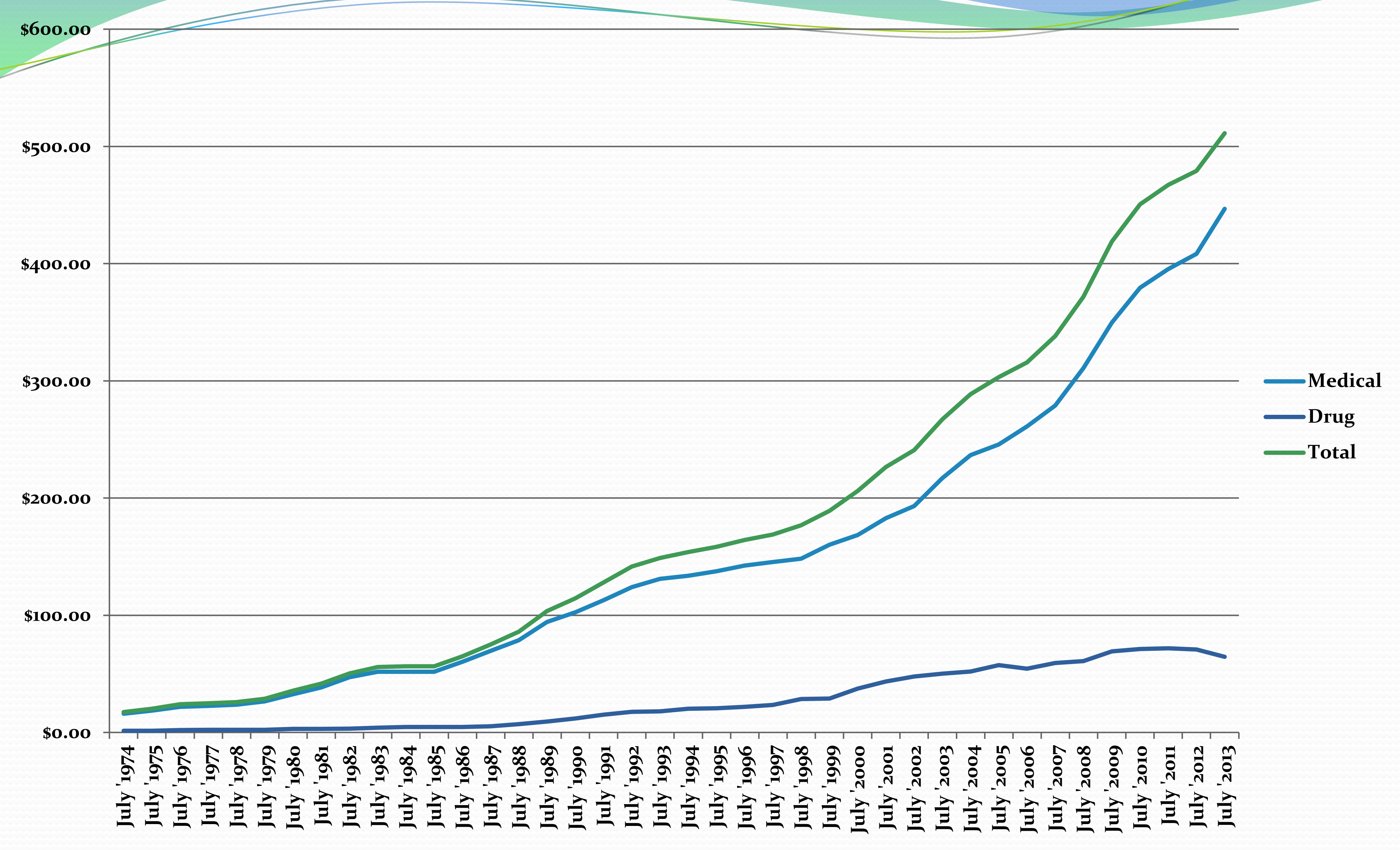
Source: EPI analysis of Kaiser Family Foundation and Bureau of Labor Statistics data.

Escalating Cost…

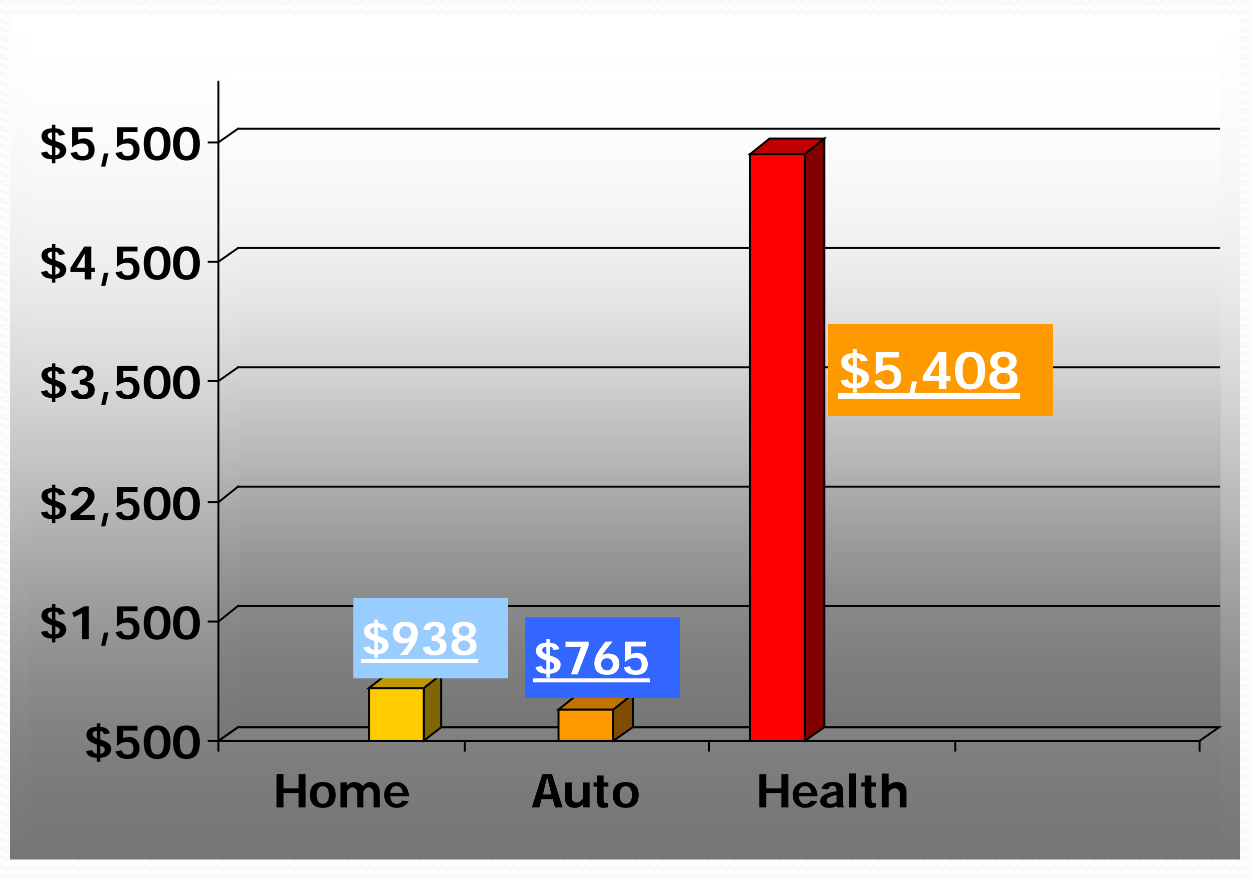
Hawaii Experience

- Prepaid Healthcare Law passed in 1974
  - Goals – Reduce uninsured population, cover major medical to avoid financial hardship, cover preventive care, control healthcare cost increases
    - In 1975, average wage in the private sector was $8,300, medical & drug premium was $17.50 per month ($210 per year), 2.5% of wages
    - 1995 - Average wage in Hawaii was $26,982, medical & drug premium was $158.36 per month ($1,900 per year); 7.04% of wages
    - 2008 - Average wage in Hawaii was $40,687, medical & drug premium was **$371.70** per month ($4,460 per year); 10.96% of wages
    - 2012 – Average wage in Hawaii in 2012 was $44,024, medical & drug was $479.18 per month ($5,750 per year);13.06 of wages

Small Business Rates – 1974 to Present



Hawaii Average Premium Costs - 2010



Where do we go from here?

- Patient Centered Medical Home
- Public health education
- Government intervention to change behavior?
- Health information exchange
- Single-payer
- Universal healthcare
- OR Total Collapse of Healthcare System

Hawaii's Prepaid Health Care Act

And The Affordable Care Act

THE PREPAID HEALTH CARE ACT

- Originally enacted in 1974, the Hawaii PHCA was the first in the nation to set minimum standards of health care benefits for the workers. Employers, excluding those such as Federal, State and County governments (HRS §393-5), are required to provide adequate coverage to their eligible employees

- Employers must provide health care coverage to employees who work at least twenty (20) hours per week and earn 86.67 times the current Hawaii minimum wage a month ($7.25 x 86.67 = $629). Coverage commences after four (4) consecutive weeks of employment or the earliest time thereafter, which is usually the first of the month

- The PHCA was preempted on 10/05/1981, but the amendment to the ERISA exempted the PHCA from preemption on 01/14/1983

ACA Provision Preserving PHCA

(b) Rule of Construction in the ACA (43 U.S.C. 18118)

"Regarding Hawaii's Prepaid Health Care Act.—Nothing in this title (or an amendment made by this title) shall be construed to modify or limit the application of the exemption for Hawaii's Prepaid Health Care Act … as provided [under ERISA]."

- ACA does not exempt Hawaii's PHCA. It merely preserves the PHCA's ERISA exemption.
- ACA does not commit itself to coordinating PHCA requirements
- ACA is silent regarding conflicts between ACA and PHCA
- ACA allows benefits in excess of essential health benefits; thus empowering states to continue their required benefits (via selection of a benchmark plan)

ACT 205 - Preserving PHCA

Act 205 (2011 Session):

- “It is imperative that Hawaii's health insurance exchange work in tandem with the Hawaii Prepaid Health Care Act to preserve its existing benefits for the people of the State.”
- “Nothing in this chapter (HRS 435H) shall in any manner diminish or limit the consumer protections contained in or alter the provisions of chapter 393.”

INTEGRATION OF ACA and PHCA

- There are statutory as well as procedural differences between the ACA and PHCA provisions

- To preserve PHCA, the DLIR has been working with the Hawaii Health Connector (Connector) in building its online insurance marketplace to "weave" the PHCA requirements into the ACA provisions

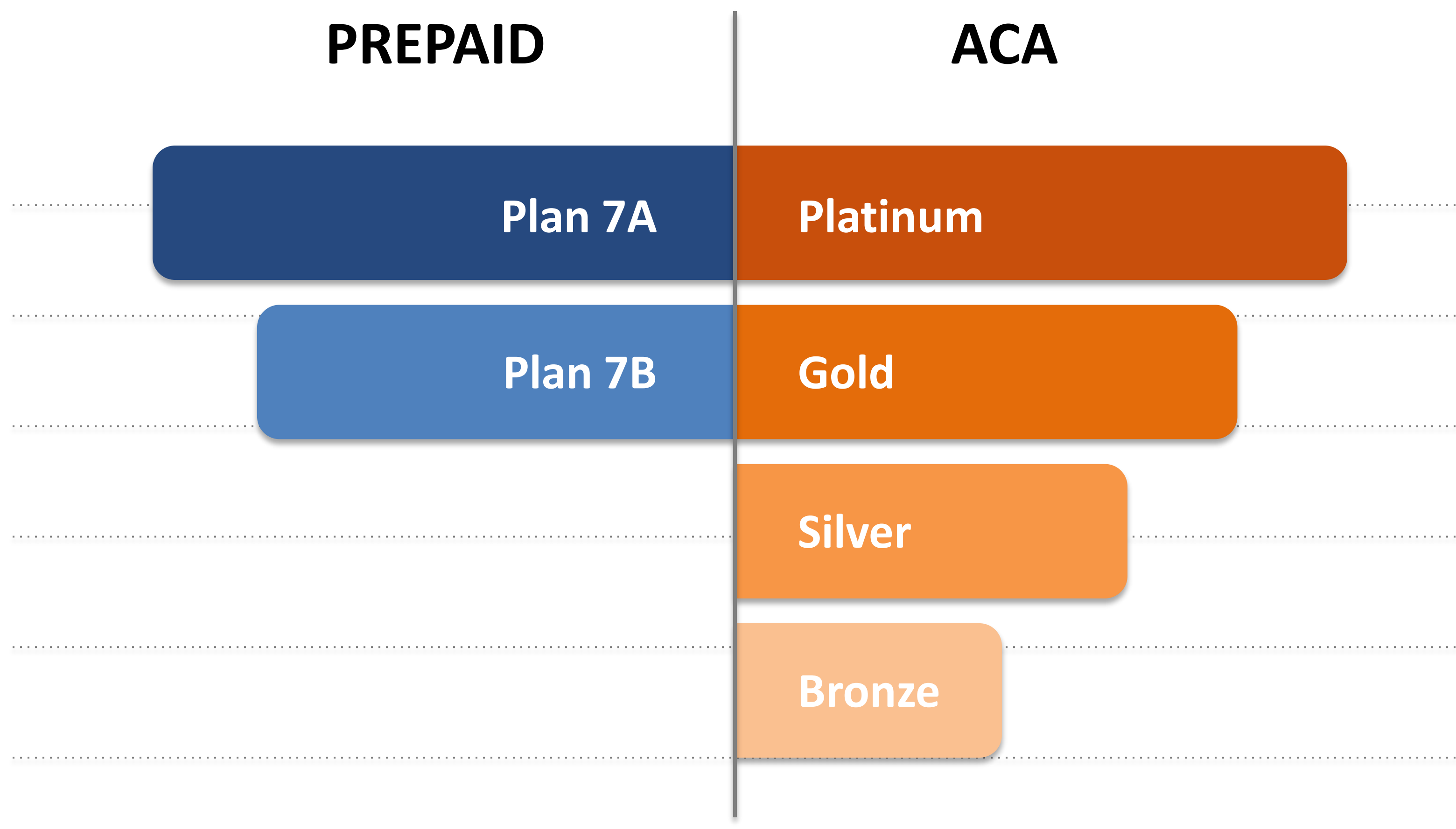
Employer requirements

	PREPAID	ACA
Mandatory coverage	All employers • One employee or more • 20 hours per week	Large employers (2015) • 50 or more employees • 30 hours per week
Coverage not required	• Part-time (<20 hrs) • Dependents	• Small employers (<50) • Part-time (<30 hours) • Dependents
Does not apply to	• Federal, State and County workers • Agricultural workers • Persons paid only by commission	

Quality of Benefits

PREPAID	ACA
• 7(a) plans – equal to existing plan with the most subscribers. If selected, employer covers employees only (>20 hours per week) • 7(b) plans – must provide sound basic care. If selected, employer contributes ½ the cost of dependents	"Metal levels" = actuarial value of plan based on cost sharing between insured and insurance • Platinum (90-10) • Gold (80-20) • Silver (70-30) • Bronze (60-40)

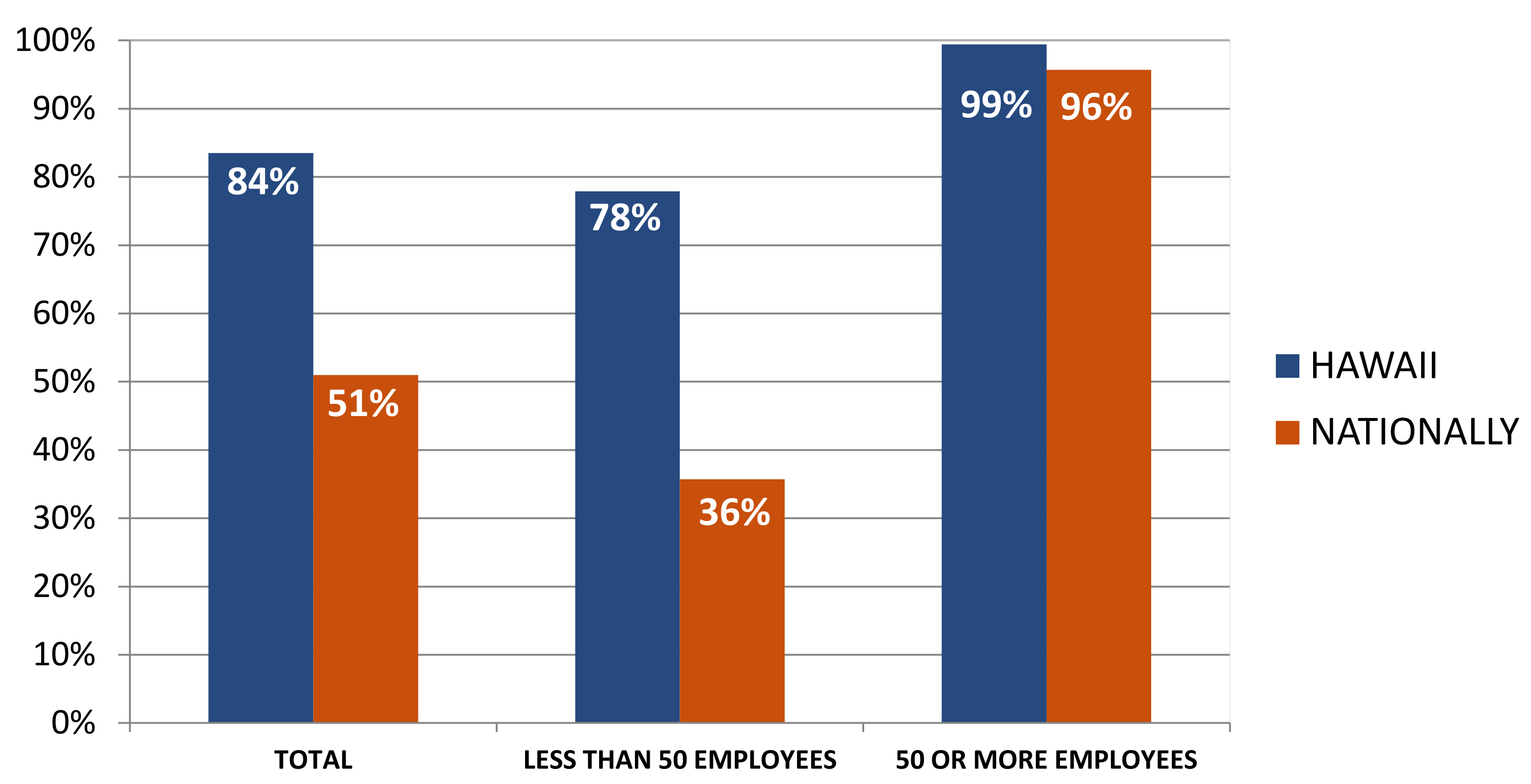
Prepaid and ACA plan comparison



Allocation of Premium

PREPAID	ACA
• Employer contributes ½ of premium cost • Employee's share cannot be more than 1.5% of employee's wages	• Employer must offer at least a Silver plan (70%) • Employee's share cannot exceed 9.5% of employee's household income

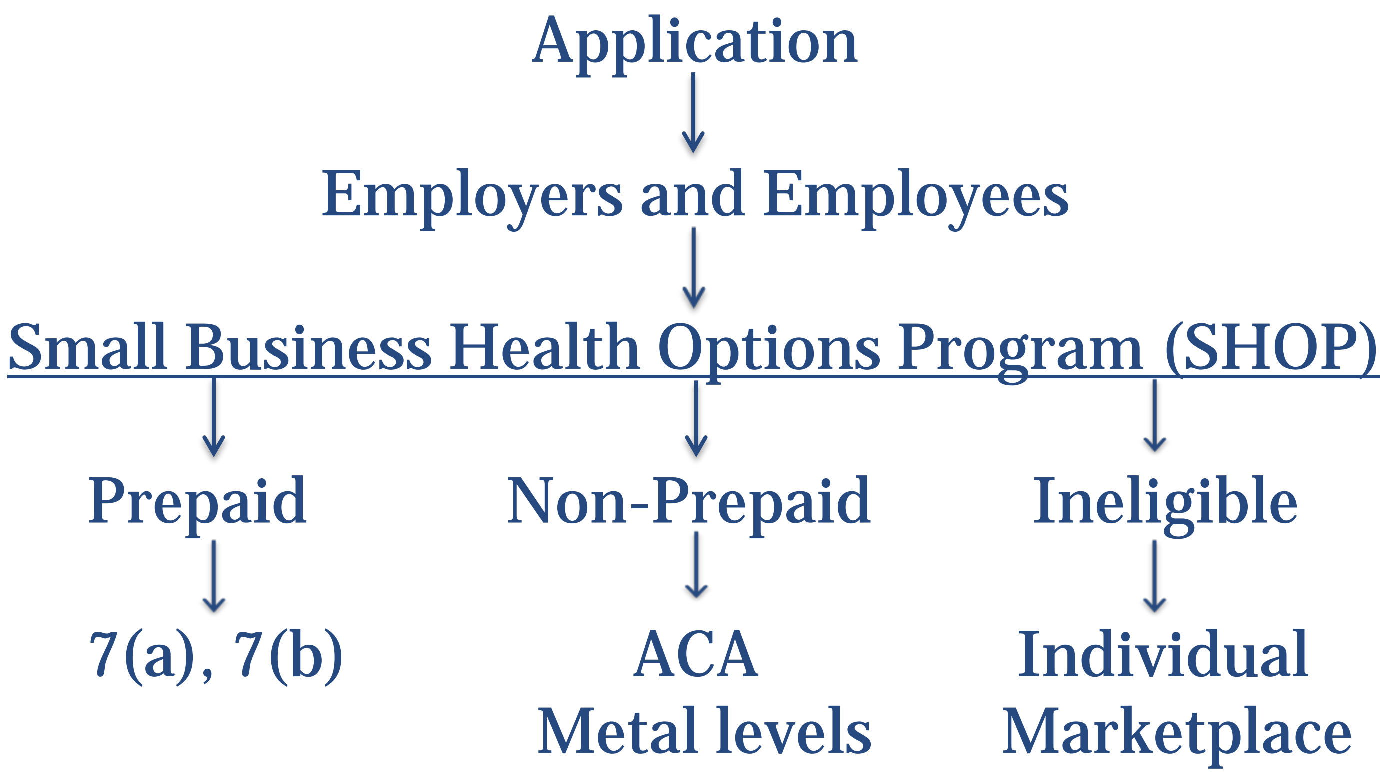
Hawaii and other states in number of insured



Percent of private-sector establishments that offer health insurance by firm size, 2011

Source: Medical Expenditure Panel Survey (MEPS)

Prepaid-ACA Coordination in the Connector



Prepaid-ACA Coordination in the Connector

Small Business Health Options Program (SHOP)

Employer	Prepaid	Non-Prepaid
Decision #1	7(a) or 7(b)	One metal level
Decision #2	Reference plan	Reference Plan
Option	Choose one insurer	Choose one insurer

Employee	Prepaid	Non-Prepaid
Decision #1	Choose one plan	Choose one plan
Option	Cover dependents?	Cover dependents?

10 Essential Health Benefits (EHBs)

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

Per Section 1311 of the ACA.

HEALTH PLAN REVIEW and APPROVAL PROCESS

- Qualified Health Plans offered thru the Connector are first reviewed and approved by the DLIR with recommendations from the PHC Advisory Council
- Some of the DLIR plan review standards involve the concepts of :
    - §393-7(a) vs. §393-7(b) plans
    - Prevalent plans (market driven)
    - Mandated benefits under the PHCA and Insurance Code
    - Benchmark plan
- All DLIR approved plans are then reviewed further and approved by the Insurance Division for ACA compliance

ACA and October 1, 2013: Impact on Hawaii's Medicaid Program

Kenneth S. Fink, MD, MGA, MPH
Med-QUEST Division Administrator
October 9, 2013

Increased Access to Affordable Health Insurance in 2014

- Employer sponsored
  - Small employer health options program (SHOP)
  - Tax incentives
- Individual market
  - Advanced premium tax credits
  - Cost sharing reduction
- Medicaid expansion
  - Expansion became optional
  - Conversion to modified adjusted gross income (MAGI) methodology was mandatory

MAGI

- Conversion intended to yield comparable thresholds
- Affects children, pregnant women, families, and certain adults
- Does not affect eligibility for aged, blind or disabled group

	Current Income Limit (after disregards)	October 1, 2013 Income Limit (MAGI)
Children	300% FPL	308% FPL
Pregnant Women	185% FPL	196% FPL
Adults in Families	100% FPL	100% FPL
Other Non-ABD Adults	133% FPL	138% FPL

2013 Hawaii Federal Poverty Level

Household Size	100%	138%	196%	308%
1	$13,230	$18,257	$25,931	$40,748
2	$17,850	$24,633	$34,986	$54,978
3	$22,470	$31,009	$44,041	$69,208
4	$27,090	$37,384	$53,096	$83,437
5	$31,710	$43,760	$62,152	$97,667
Each additional member	$4,620	$6,376	$9,055	$14,230

Medicaid Asset Eligibility Changes

- Groups subject to MAGI have no asset limit
- Effect of Medicaid expansion in Hawaii
  - Income already at 133% FPL
  - Asset limit for Non-ABD adults was $2000 for individual
  - October 1, 2013, no asset limit for Non-ABD adults

More on Medicaid Eligibility Changes

- Individuals <133% FPL with a disability may be eligible not on basis of being disabled
  - Cannot be eligible for Medicare
  - Cannot be receiving Social Security Disability Insurance
- No change in eligibility for ABD group or for full access to long-term supports and services (LTSS)
  - Need to be eligible on basis of being disabled to receive full LTSS
  - Expanding access to some HCBS for “at-risk” individuals

Medicaid Enrollment Increase June 2008 through June 2013

Date	Enrollment
Jun-08	211,000
Jun-09	235,000
Jun-10	259,000
Dec-10	267,000
Jun-11	272,000
Dec-11	285,000
Jun-12	288,000
Dec-12	290,000
Jun-13	292,000

Medicaid Enrollment Increase Projected ACA Impact

Necessary Changes to Medicaid Program Authorities

- Hawaii is an early adopter with all changes effective October 1, 2013
- Hawaii Administrative Rules
  - 65 chapters new, repealed, or amended
- Section 1115 demonstration waiver
  - 5-year renewal
- Medicaid State Plan
  - 28 State Plan Amendments

Leveraging 90% Federal Matching Funds

- Replace 25 year old eligibility system
  - MQD to migrate first; BESSD and SSD to follow
- Advance information technology infrastructure
  - E.g. State hub, enterprise content management

New Eligibility System: Timeline

- Planning Advance Planning Document (APD)
  - Submitted to CMS on September 1, 2011
- RFP for consultant services
- Implementation APD
- RFP for Design, Development, and Implementation
- Contract
  - Approved by CMS on January 10, 2013

- <9 months to implement a new eligibility system, which typically takes 3-5 years

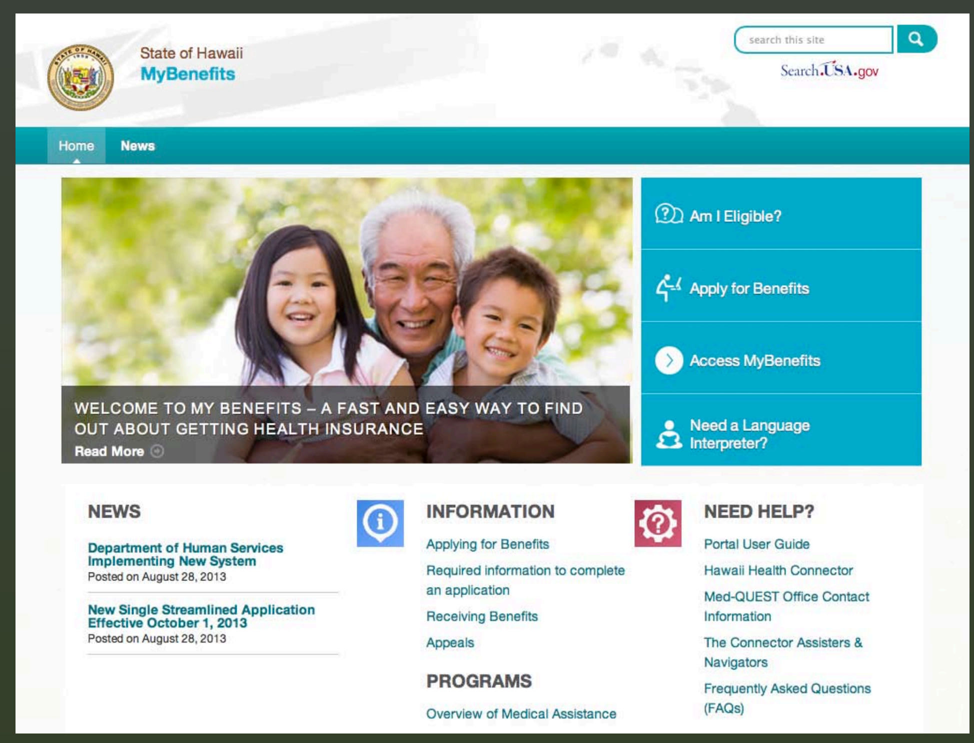
New Eligibility System: Requirements

- Develop online application
- Develop rules for electronic rules engine
- Create state hub
- Establish interface with federal hub
- Convert data from old eligibility system

New Eligibility System: KOLEA

Kauwale (community) On-Line Eligibility Assistance System

- Went live October 1, 2013
  - mybenefits.hawaii.gov
- Individuals need to apply separately for TANF/SNAP
- MQD began using new application
  - DHS Forms 1100 and 1100A (revised August 2013)

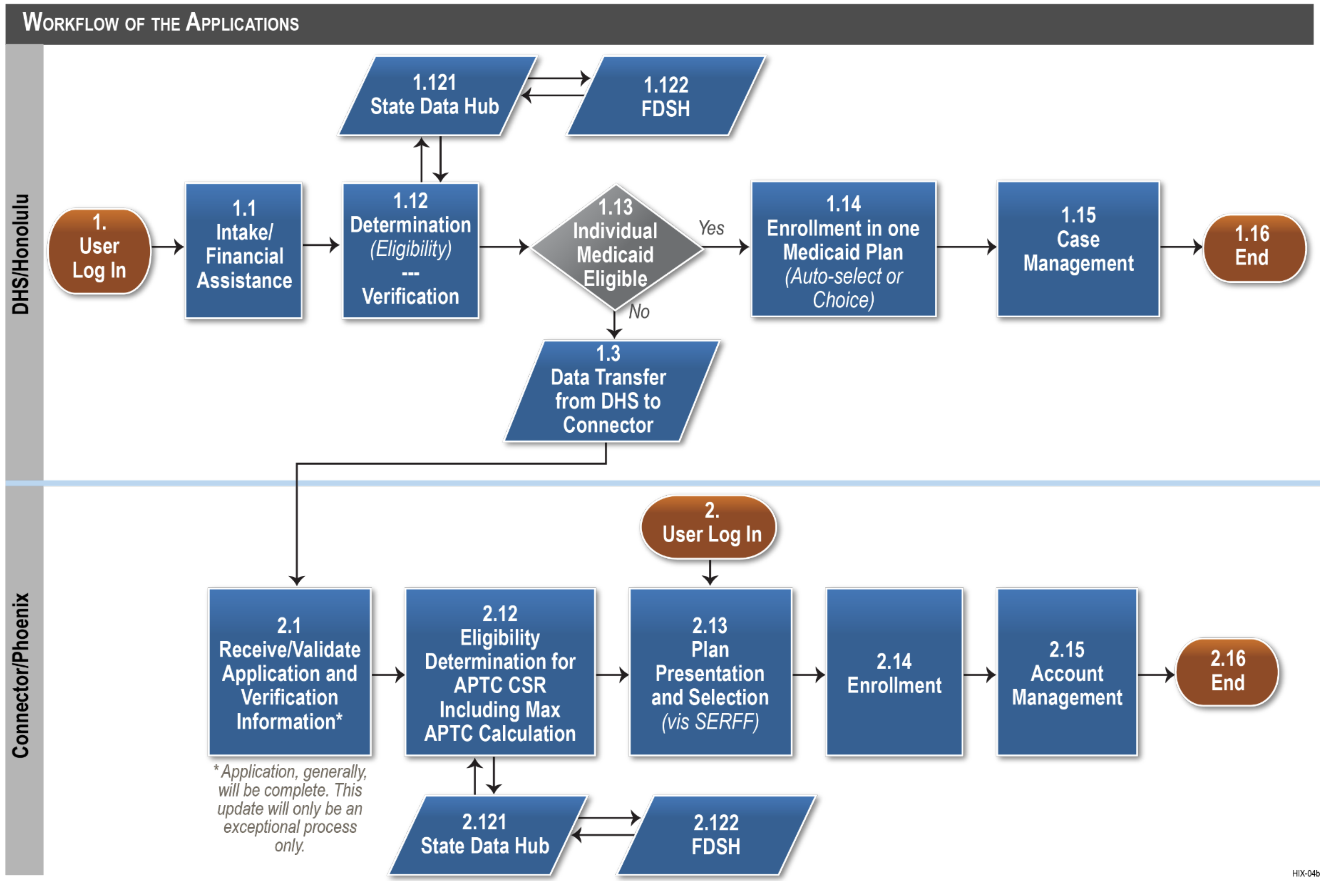


Single Application for Help with Health Insurance

- Nearly all applications will go to DHS's KOLEA system for a Medicaid eligibility determination
- Medicaid ineligibility determination required to be eligible for advance premium tax credits and cost-share reduction
- Applicants can opt out of Medicaid determination (and APTC/CSR eligibility) to purchase directly from Connector

Application Process

- KOLEA has online application
  - MQD will continue to accept paper, fax
  - Can apply over the phone with Connector's Contact Center
  - Navigators and assisters can also help people apply
- Information that can be electronically verified will
  - Verification through federal hub will occur overnight
  - Anticipate next day eligibility determination
  - Additional documents may be requested for information that cannot be electronically verified
  - Additional documents may be required if ABD
- Application information for individuals determined ineligible for Medicaid will be sent to the Connector


Workflow of the Applications
DHS/Honolulu
1.
User
Log In
1.1
Intake/
Financial
Assistance
1.12
Determination
(Eligibility)

Verification
1.121
State Data Hub
1.122
FDSH
1.13
Individual
Medicaid
Eligible
Yes
No
1.14
Enrollment in one
Medicaid Plan
(Auto-select or
Choice)
1.15
Case
Management
1.16
End
1.3
Data Transfer
from DHS to
Connector
Connector/Phoenix
2.
User Log In
2.1
Receive/Validate
Application and
Verification
Information*
2.12
Eligibility
Determination for
APTC CSR
Including Max
APTC Calculation
2.13
Plan
Presentation
and Selection
(vis SERFF)
2.14
Enrollment
2.15
Account
Management
2.16
End
* Application, generally,
will be complete. This
update will only be an
exceptional process
only.
2.121
State Data Hub
2.122
FDSH
HIX-04b

Summary

- Medicaid has expanded eligibility
- KOLEA is operational: mybenefits.hawaii.gov
  - System improvements will continue
- DHS is leveraging new system and funding opportunities
- DHS is coordinating with the Connector to serve Hawaii residents