REPORT TO THE 28TH LEGISLATURE
STATE OF HAWAIʻI
2015

Pursuant to Act 158, Session Laws of Hawaiʻi (SLH) 2014
RELATING TO INSURANCE

Prepared by:
The Office of the Governor/Health Care Transformation Office
State of Hawaiʻi

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REPORT TO THE 28TH LEGISLATURE

Act 158, SLH 2014

EXECUTIVE SUMMARY

The federal Patient Protection and Affordable Care Act ("ACA"), P.L. 111-148, includes many positive changes for health insurance and health care delivery and payment systems. It also imposes benefit, coverage, and payment rules and mechanisms that are not perfectly aligned with Hawai'i's long-standing ERISA-exempted Prepaid Health Care Act ("Prepaid"). The ACA called for the development of insurance exchanges, or "marketplaces," to which Hawai'i responded by creating a state-based exchange, motivated by the desire to preserve Prepaid. Hawai'i's state-based exchange has a financial challenge, in part, because of small enrollment numbers. This may be because the uninsured population in Hawai'i before October 2013 when ACA-subsidized insurance became available was thought to be about 100,000. Moreover, both small and large businesses had developed long-standing approaches for purchasing Prepaid-compliant coverage so did not immediately look to the Connector for employee insurance options.

The ACA provides states opportunities to waive certain provisions of the ACA to encourage innovation. In 2014, the Hawai'i State Legislature responded to this opportunity by passing the bill that became Act 158, establishing a task force to develop and make recommendations on a waiver appropriate for Hawai'i. This is the first report from that task force, which had its initial meeting in September 2014. The report outlines the waiver possibilities allowed by the ACA, summarizes the process and discussion to-date, and makes recommendations on moving forward with the work of waiver development, including proposed legislation and a budget. The task force affirmed that its goals include moving Hawai'i closer to universal health insurance coverage and preserving the benefits of Prepaid.

This initial report does not make any substantive recommendations to the Legislature related to innovations that should be included in a waiver proposal.

REQUIREMENTS OF ACT 158

In 2014, the Hawai'i State Legislature passed House Bill 2581, which became Act 158, establishing a State Innovation Waiver Task Force, temporarily attached to the Office of the Governor for administrative purposes. The purpose of the State Innovation Waiver Task Force is "to develop a health care reform plan that meets requirements for obtaining a state innovation waiver." The waiver in question affects certain provisions of the ACA.

As detailed in the Act, the responsibilities of the task force are to:

(1) Examine the feasibility of alternative approaches to the health reform requirements described under Section 1332(a)(2) of the federal act;

(2) *Examine alternatives to and possible exemptions or waivers from requirements relating to allowable premium rate variations based upon age, as described in Section 1201 of the federal act;*
(3) *Examine the feasibility of options for providing affordable insurance coverage for uninsured and underinsured individuals in Hawai'i through brokers and professional employer organizations that include innovations to the State's existing Medicaid program; and*
(4) *Develop a plan for applying for a state innovation waiver that meets the requirements of Section 1332 of the federal act, including:*
    A. *Developing a strategy for health care reform that:*
        i. *Provides coverage that is at least as comprehensive as required by the federal act;*
        ii. *Provides coverage and cost-sharing protections that are at least as affordable as under the federal act;*
        iii. *Makes health insurance coverage available to as many residents of Hawai'i as under the federal act; and*
        iv. *Is budget neutral for the federal government;*
    B. *Examining the feasibility of options for providing affordable insurance coverage for uninsured and underinsured individuals in Hawai'i that include innovations to the State's existing Medicaid program; and*
    C. *Ensuring compliance with all applicable public notice requirements of title 31 Code of Federal Regulations part 33 and title 45 Code of Federal Regulations part 155, as amended.*

The task force must also submit interim reports and a final report after which the task force will be dissolved in June 2017. The interim reports shall include:

(1) *Identification of opportunities for state agencies to collaborate on new information technology that will advance the goals of the federal act and state innovation; and*
(2) *Recommendations on the allocation of existing moneys available for health reform and innovation, including any proposed legislation.*

ACA WAIVER OPTIONS AND REQUIREMENTS

Provisions that may be waived. Section 1332 of the ACA allows states to request a five-year, potentially renewable waiver of the following provisions:

<u>Offering Qualified Health Plans ("QHPs") and required Essential Health Benefits ("EHB")</u>

- Section 1301: Definition of **Qualified Health Plans**
- Section 1302: **Essential Health Benefits Requirements**, including
    - Identifying Essential Health Benefits
    - Annual limitations on cost-sharing
    - Annual limitations on deductibles for employer-sponsored plans
    - Levels of coverage as currently defined by metal levels (platinum, gold, silver, bronze)
    - Catastrophic plans
    - Children-only plans
- Section 1303: **Special rules** related to abortion services
- Section 1304: **Definitions** related to

- Group and individual markets
- Large and small employers and rules related to determining the size of an employer

Providing consumers a health insurance exchange

- Section 1311: Affordable health plan choices via **establishing exchanges**
- Section 1312: **Consumer choice**
  - Employee choice
  - Single risk pool
  - Markets outside of exchanges
  - Individual choice to enroll in a QHP or participate in the exchange
  - Limitations on access to exchanges for citizens and lawful residents
  - Ability of exchanges to offer coverage to larger employers starting in 2017
- Section 1313: **Financial integrity** expectations that exchanges will keep accurate accounts of receipts and expenditures

Premium tax credits and reduced cost-sharing

- Section 1402: **Cost-sharing reductions** via enrollment in QHPs
- Section 36B of the IRS Code: **Refundable credits/premium assistance** for coverage in a Qualified Health Plan

Individual and employer responsibility requirements

- Section 4980H of the IRS Code: **Shared responsibility** for employee health insurance
  - Penalties for large employers (more than 50 employees) if not providing coverage
  - Penalties for large employers if coverage offered but employees still access premium tax credits or cost-sharing
  - Definition of Full Time Employee ("FTE") is at least 30 hours per week employment
  - Exemption for certain employees: FTEs who work seasonally or 120 or fewer days/year
  - Definition of seasonal workers
  - Rules for determining employer size
- Section 5000A of the IRS Code: Requirement to **maintain minimum coverage (Section 1501)**
  - Penalties
  - Exemptions
  - Definition of Minimum essential coverage

Note: Whether **Section 1502**, which requires individual reporting on health insurance coverage, can be waived is not clear but may be inferred.

Federal funds. States can use federal funds that *would have been* used for tax credits to fund alternatives, if appropriate.

Implementation date. No waiver can be implemented before January 2017 but, presumably, states may apply for and implement waivers any time after that date.

Application and process requirements. A complete waiver application for the federal Department of Health and Human Services and the Department of the Treasury must include the following:

- Evidence that the State complied with public notice and public hearing requirements per §33.112 (31 CFR 33), including a description of issues raised during the public notice and comment period

- A comprehensive description of the program to implement a waiver
- A copy of enacted state legislation that provides the State with authority to implement the proposed waiver
- Identification of all ACA provisions that the state seeks to waive and the reasons they should be waived
- Data and analyses, actuarial certifications, assumptions, and targets sufficient to assure the Secretary that coverage, cost-sharing, and availability are at least as good under the waiver as under the ACA
- Economic analysis demonstrating budget neutrality for the federal government, including a 10-year waiver budget projection
- Analysis of the impact of the waiver on health insurance coverage in the state
- Data and assumptions that include information about
    - The age, income, health expenses, and current health status of the affected population
    - The number of employers offering insurance and the number of employees affected
    - Whether or not the waiver increases or decreases administrative burden for individuals, employers, or insurers, how and why
    - How the waiver will or will not affect implementation of parts of the ACA that are not being waived
    - How the waiver affects the ability of residents to obtain care out of state
- An explanation of how the State will assure compliance and reduce waste, fraud, and abuse related to coverage under the waiver
- A description of the implementation process and timeline
- Targets and a plan for reporting on waiver implementation and impact

It should be noted that within six months of a waiver being implemented and annually thereafter, the State must hold public hearings () and document any complaints. States must submit quarterly reports to the Secretary of Health and Human Services ("HHS") that include any on-going operational challenges and plans to address them. In addition, annual reports will be required that document progress of the waiver, data on compliance, summary descriptions of public hearings, and other information that may be required, including that described in the terms and conditions issued upon waiver approval.

Approval by Secretary of HHS. Per ACA Section 1332(b)(1)(A), the Secretary must determine that the planned waiver provides

- Coverage that is at least as comprehensive as that under Essential Health Benefits in Section 1302(b)
- Cost sharing protections that make coverage at least as affordable as the provisions in Title 1 of the ACA
- Coverage to a comparable number of people as the provisions in Title 1 of the ACA
- Budget neutrality so that the waiver plan does not contribute to the federal deficit

If any of the waiver provisions affect IRS Code sections 36B (tax credits), 4980H (shared employer responsibility) or 5000A (minimum essential coverage), the Secretary of HHS will send the application to the Secretary of the Treasury.

Timing. A preliminary review of any waiver application by the Secretaries of HHS and the Treasury to determine whether it is complete may require 45 days. Once it is determined to be complete, the federal agencies have 180 days to complete the review and public notice process.

TASK FORCE MEMBERSHIP

Certain public agencies and private organizations were identified in Act 158 with several additional members nominated by the House and Senate. Members and their affiliations are as follows:

Task Force Members

Healthcare Transformation Coordinator (chair): Beth Giesting	Ex officio
Director of Health: Lorrin Kim	Ex officio
Director of Labor & Industrial Relations: Edward Wang	Ex officio
MedQUEST Division Administrator: Kenny Fink	Ex officio
Insurance Commissioner: Gordon Ito	Ex officio
Attorney General: Daniel Jacob	Ex officio
Chief Information Officer, OIMT: Keone Kali	Ex officio
Hawai'i Employer-Union Trust Health Benefits Fund Administrator: Sandra Yahiro	Ex officio
Hawai'i Health Connector Executive Director: Eric Alborg	Ex officio
Hawai'i Health Information Exchange Executive Director: Christine Sakuda	Ex officio
Chamber of Commerce of Hawai'i: Sherry Menor-McNamara	Ex officio
Healthcare Association of Hawai'i: Rachael Wong	Ex officio
Hawai'i Primary Care Association: Robert Hirokawa	Ex officio
Person with expertise in health insurance: Jennifer Diesman, HMSA	President of the Senate
Expert in Health Care Delivery: Joan Danieley, Kaiser Permanente	President of the Senate
Expert in Health Care Delivery: Paula Yoshioka, Queen's Medical Center	Speaker of the House
Person representing small businesses: Roger Morey, Hawai'i Restaurant Association	Speaker of the House

SUMMARY OF MEETINGS

Meeting agendas, minutes, and materials, including any public testimony, are posted at: http://governor.hawaii.gov/healthcare-transformation/. In addition, agendas are posted at least six days in advance at http://calendar.ehawaii.gov.

Meeting 1. September 11, 2014. Room 325, State Capitol. The task force assembled for the first time. The agenda included overviews of the ACA, Act 158, expectations for behavior, and communication pursuant to the sunshine law, and the planned meeting schedule through the end of 2014.

Meeting 2. October 9, 2014. Room 325, State Capitol. The task force learned more about ACA-related activities in Hawai'i, which include the State Innovation Plan, changes in health insurance requirements, Medicaid expansion, and the Hawai'i Health Connector. After a summary update of the Hawai'i Health Connector and information about possible state and federal marketplace models, the task force worked through a series of options that might be considered for a waiver for Hawai'i.

Meeting 3. October 30, 2014. Room 016, State Capitol. The task force heard reports from Permitted Interaction Groups related to: 1) ACA options for setting insurance premiums; 2) opportunities for using information technology systems collaboratively to advance implementation of the ACA and health care innovation; 3) identifying some strategies to support health care reform and innovation; 4) outlining budgetary requirements to present to the 2015 Legislature needed to support the task force and the development of a waiver that meets federal requirements; and 5) identifying some measures and

potential data sources for information needed to develop and track the effectiveness of any waiver developed. The task force also reviewed and discussed different timeline scenarios for developing a waiver as well as meeting Act 158 requirements.

Meeting 4. November 13, 2014. Room 325, State Capitol. The task force discussed the reports presented by the Permitted Interaction Groups on October 30, 2014, and made recommendations on the report to the 2015 Legislature, including resource requirements and proposed legislation.

The task force identified a number of waiver-related questions that could be addressed in a thorough consideration of options. These options are outlined below:

Employer Insurance Marketplace Questions

- Which, if any, of the ACA marketplace options best meet our needs: state-based; federally-facilitated; or federal-state partnership? Do different models work for the individual and Small Business Health Options Program ("SHOP") marketplaces? What has been the experience in other states?
- What functions of the ACA do we value most and want to maintain?
  - Transparency
  - Competition
  - Employee choice
  - Employer ease of use
- What are the costs associated with developing and maintaining these functions?
- Does the cost/benefit ratio support adopting and paying for these functions? If yes, how?
- Should all employers of any size and their employees use the Connector for plan selection and enrollment?
- Should all *small* businesses use the Connector for plan selection and enrollment?
- Should unions and/or other business or employee agencies use the Connector for plan selection and enrollment?

Individual Insurance Marketplace Questions

- What is the most efficient, cost-effective means to get individuals into the right program (Medicaid, subsidized, or unsubsidized individual coverage)?
- What functions are needed to support premium assistance?
- What functions are needed to support plan shop and compare?
- What functions are needed to support enrollment?
- Where should eligibility and enrollment functions be housed?
- How can more insurers be encouraged to participate?
- Are there better strategies than the Advanced Premium Tax Credit ("APTC") to ensure affordability?

Gap Group and Churn Questions

- Should employers contribute to insurance for part-time workers?
- Does Hawai'i need a Basic Health Plan tailored to its needs?
- What's the role of Medicaid in these concerns?
- Are there better options, including supporting community health centers, to ensure access for both the insured and uninsured?
- Should all consumers be able to purchase catastrophic coverage?

Other Insurance Questions

- What is the on-going role for agents, brokers, and marketplace assistors? How should they be paid?
- Should there be an Essential Health Benefits package (EHB)?
  - If no, what would replace it, if anything?
  - If yes, what should be included for children? For adults? What cost implications are there for the state if it's changed? What other kinds of insurance might be included?

- How would changing the EHB affect premiums?
- What are implications for waiving "qualified health plans?"

FINDINGS AND RECOMMENDATIONS

Act 158 Recommendations. Act 158 asks that the task force report its findings and recommendations both on issues related to the development of an ACA waiver and to health care innovation questions outside of waiver consideration. These issues and the task force's responses to-date are below.

In addition, the ACA Waiver Task Force unanimously agreed on two fundamental requirements for any waiver recommendations:

a. *Any waiver proposed must move Hawai'i as close as possible to universal health insurance coverage and access to care.*
b. *Any waiver proposed must preserve the Prepaid Health Care Act in its current form.*

The task force agreed that Prepaid has become vital to Hawai'i. Since its enactment in 1974, employers are required to provide health insurance coverage that meets the evolving standards of Prepaid to employees working 20 hours or more per week, with some exceptions. The importance of Prepaid to the people of Hawai'i – beneficiaries, employers, and health care providers – cannot be overstated: in 2011, more than 480,000 non-union employees and their dependents were covered under employer-sponsored Prepaid-compliant plans. The task force noted that some provisions of the Prepaid Act are outdated, such as the modest employee cost-share, but, because of Hawai'i's unique federal ERISA exemption, retaining Prepaid with its flaws is better than experimenting with the lesser protections of the ACA.

Preserving Prepaid in its current form includes maintaining the current employer mandate and the current level of health benefits required in 7(a) and 7(b) plans. As stated in Prepaid, the purpose of the Act is to provide protection for employees in light of potentially devastating health care inflation. In contrast, the reduced benefits allowed by the ACA for a bronze plan would subvert the intent of Prepaid, arguably offering inadequate employee protection. An employee with a bronze plan could be held responsible for: (i) a high upfront deductible (such as $800); (ii) a high copayment (usually a fixed dollar amount); (iii) a high coinsurance (such as 40% of usual and customary charges for covered benefits); (iv) separate deductible for hospitalization; and (v) no out-of-pocket limit. Prepaid-compliant plans, on the other hand, offer: (i) a low upfront deductible (such as $100 for 7(a) plans and $300 for 7(b) plans); (ii) lower copayments (usually a fixed dollar amount); (iii) lower coinsurance (such as 10% to 20%); (iv) a separate deductible for hospitalization (must be included in the $100 to $300 up front deductible); and (v) an out-of-pocket limit (capped at $2,500 for 7(a) plans and $3,000 for 7(b) plans). As a further example, if a bronze plan deductible is $800, and the usual and customary charge for a physician's office visit is $80, the bronze plan member would receive no office visit benefit until the eleventh visit. This is contrary to Prepaid wherein a physician's office visit is a required benefit.

1. **Examine the feasibility of alternative approaches to the requirements described under Section 1332(a)(2) of the ACA**. The task force has no recommendations on this question yet.

2. **Examine alternatives to and possible exemptions or waivers for requirements relating to allowable premium rate variations based upon age as described in Section 2701 of the ACA**. The task force found that before implementation of the ACA's premium rating, community rating with an adjustment for loss experience. Since January 1, 2014, both the individual and the small group markets have been permitted to choose between transitional "grandmothered" plans, which utilized community ratings adjusted for loss experience, or an ACA-compliant plan, which utilized age rating and tobacco use as modifiers. While there are pros and cons to either age or community rating strategies, community rating with loss experience results in premiums that are most similar to experience ratings in effect prior to the ACA and reflected in "grandmothered" plans. Large businesses are not subject to ACA-compliant premium rating rules. States may NOT waive these ACA premium rating requirements.

3. **Examine the feasibility of options for providing affordable insurance coverage for uninsured and underinsured individuals in Hawai'i through brokers and professional employer organizations that include innovations to the State's existing Medicaid program**. The task force has not yet had an opportunity to consider this issue.

4. **Develop a plan for applying for a state innovation waiver that meets the requirements of Section 1332 of the federal act**. As noted above, the task force has compiled a list of specific Section 1332 requirements that must be met but has not yet had time to develop recommendations.

5. **Examine the feasibility of options for providing affordable insurance coverage for uninsured and underinsured individuals in Hawai'i that include innovations to the State's existing Medicaid program**. The task force has not yet had an opportunity to consider this issue.

6. **Identify opportunities for state agencies to collaborate on new information technology that will advance the goals of the federal act and state innovation**. The task force found that several information technology programs have overlapping or mutually supportive purposes. The systems considered were:
   - SERFF PM (Insurance Division)("INS") manages insurance plan information
   - KOLEA (Department of Human Services)("DHS") manages eligibility for MedQUEST ("MDQ")
   - Hawai'i Health Connector ("HHC") manages eligibility and enrollment for individuals and SHOP
   - VITECH (EUTF) manages enrollment
   - Hawai'i Health Information Exchange ("HHIE") develops/maintains infrastructure to link clinical data
   - Hawai'i Health Data Center ("HHDC") expanding on the "all payer claims database" HHDC will analyze utilization and cost

   As required in Act 158, the task force identified areas of potential collaboration:
   - **KOLEA/Connector/EUTF**: eligibility; enrollment; and plan and payment management
   - **HHIE/HHDC**: transmit clinical information; report to providers; report aggregated information to INS; HHC; EUTF; MQD, and use information for innovation

- **SERFF PM**: support Prepaid management at Division of Labor and Industrial Relations ("DLIR") share plan information with HHC and also reviewed by INS and the Centers for Medicare and Medicaid Services ("CMS")

The task force acknowledged that each system has its own agency and/or funder regulations and requirements, sharing requires a resource allocation among users, and, finally, data governance and system "ownership" would need to be worked out. The task force recommends that the Office for Information Management and Technology ("OIMT") take the lead in creating a master plan for collaborative health information technology.

7. **Recommend an allocation of existing moneys available for health reform and innovation, including any proposed legislation**. The task force identified possible resources to support innovation in service delivery, care coordination, workforce, health information technology, payment reform, policy, and healthy communities. One means of providing resources for essential parts of innovation such as health information technology, workforce development, and on-going innovation support was imposing an "innovation fee" on insurance premiums. The task force also noted that proposed change can be implemented via public and private insurance standards and contracts. The task force recommends that the "Hawai'i Healthcare Project" take responsibility for the innovation agenda, sustainable funding recommendations, and proposed legislation.

Additional recommendations. In addition to the questions posed by the Act, the task force recommends the following:

8. **Waiver resources**. Continuing support for the waiver task force may be problematic due to lack of resources and staff whose status is unknown after December 31, 2014. The task force recommends that the legislature appropriate funds for the following categories and amounts for Fiscal Biennium 2016-17 (details are included in the appendices):

	FY 2016	FY 2017	TOTAL
Personnel	$207,500	$207,500	$415,000
Consultants	$353,000	$332,000	$685,000
Neighbor island travel	$3,390	$3,390	$6,780
Other	$8,950	$5,950	$14,900
TOTAL	**$569,450**	**$548,840**	**$1,118,290**

9. **Metrics**. The task force agreed that data should be obtained to inform the waiver development process and for post-implementation evaluation. Elements identified include:
    - Income, health expenses, and current insurance status of relevant state populations
    - Number/percentage of residents with and without insurance
    - Demographic characteristics and reasons for not being insured
    - Trends in commercial insurance: numbers, costs, employers, dependents, and benefits
    - Trends in the individual market: numbers, costs, dependents, and benefits
    - Trends in Medicaid enrollment: numbers and costs
    - Stability of coverage over time
    - Demographics of APTC population
    - Number of people who applied for individual coverage but did not enroll

- IT and system support costs: HHC, KOLEA, and insurers

Staff and financial resources for the waiver must take into consideration the time and cost of securing this data.

10. **Focus on Waiver Issues**. The task force recommends that it focus its future work strictly on issues that must be addressed to develop a compliant ACA waiver.

TIMELINE AND IMPLICATIONS

The ACA makes it clear that states may not implement waivers before January 1, 2017, but there is no end date by which a waiver application may be submitted. This is pertinent because the process to develop, obtain approval, and implement a waiver is lengthy.

The following timeline assumptions and aspects were discussed by the waiver task force:

- Procurement for an actuary and other consultants takes at least 90 days (frequently longer).
- Required public notice and commentary takes at least 90 days. Public comment must be related to the proposed waiver so it cannot commence before the specifics of the waiver are determined.
- Federal preliminary review takes at least 45 days.
- Federal determination process takes at least 180 days. Any time during this process, the reviewing agency may stop the clock to request more information.
- The time period for preparing to implement the waiver after it is granted depends on the nature of the changes but should be expected to take a minimum of 90 days.
- Insurers indicate that implementing a waiver on any date other than January 1st may be problematic.

Given these expectations, the task force found that implementing a waiver on January 1, 2017, might be feasible only if the following conditions are met:

- Staff in the governor's office continue to be available to support the process (currently, there are no funds available for this purpose after December 2014)
- The task force and other critical policy stakeholders reach early, decisive agreement on what ACA elements should be waived and/or added
- Elements of the waiver are easily quantifiable for an actuary
- No other waivers for Medicaid, Medicare, or the Children's Health Insurance Program("CHIP") are necessary
- The Legislature passes authorizing legislation in 2015
- The Legislature provides resources for staff, actuary, waiver development consultants, and community meetings effective no later than July 1, 2015

Inasmuch as these requirements could be difficult to meet and if there are any unavoidable delays in any part of the process, a more feasible date could be January 2018 or even later. It should also be noted that if the waiver is part of a more comprehensive agenda for change, then it would be prudent to slow down the process and weigh all the options. On the other hand, many of the actions identified for the health care innovation agenda can be accomplished independent of an ACA waiver. That means that the ACA waiver can focus on insurance and marketplace changes while, on a parallel track, delivery system

innovation proceeds via public and private insurance policy, contractual obligations, plan amendments, state regulations, legislation, or other means.

Three variations of timelines were discussed by the task force and are included in the appendices, but any number of variations might be developed given unforeseeable legislative, development, review, and implementation hold-ups.

PROPOSED LEGISLATION

The task force recommends that the legislature take up bills to accomplish the following:

1. Make an appropriation to the Office of the Governor for fiscal biennium 2016-2017 to support the work of the task force, and pay for consultants, neighbor island travel, and ordinary operating expenses related to developing a waiver that meets federal requirements.

2. Create a short-form bill that can be a vehicle to authorize a waiver with adequate details, as required under the ACA, in the event that the legislature is prepared to do so in 2015.

NEXT STEPS

The task force plans to continue to meet at least once every month in 2015. It respectfully recommends that, in the future, its deliberations and recommendations to the Legislature be restricted to matters that may be included in a waiver.

CONTACT INFORMATION

If you have any questions or comments, please contact _____, email, phone.

APPENDICES

PROPOSED BUDGET

The proposed budget for Fiscal Biennium 2016-2017 to cover expenses related to supporting the work of the ACA State Innovation Waiver Development Task Force and for developing the waiver itself is as follows:

	FY 2016	FY 2017	TOTAL
Personnel			
0.25 FTE Healthcare Transformation Coordinator			
1.00 FTE Waiver Task Force Manager			
1.00 FTE Waiver Procurement Specialist/Policy Analyst			
0.25 FTE Administrative Assistant			
Proposed Personnel Sub-Total	$207,500	$207,500	$415,000
Consultants			
Health System Subject Matter Experts			
Actuary			
Waiver Development/Process Expert			
Communications Expert			
Proposed Consultants Sub-Total	$353,000	$332,000	$685,000
Neighbor Island Travel (2 travelers)			
Hilo			
Kona			
Maui			
Molokai			
Lanai			
Kauai			
Proposed Neighbor Island Travel Sub-Total	$3,390	$3,390	$6,780
Other Operating Expenses			
Supplies and printing			
2 Laptop computers			
Publication of notices			
Other Operating Expenses Sub-Total	$8,950	$5,950	$14,900
Grand Total	**$569,450**	**$548,840**	**$1,118,290**

TIMELINE SCENARIOS

Timeline and implications. The process to develop, obtain approval, and implement a waiver is lengthy. The following timeline assumptions and facets were discussed by the waiver task force:

- Procurement for an actuary and other consultants takes at least 90 days (frequently longer).
- Required public notice and commentary takes at least 90 days. Public comment must be related to the proposed waiver so comments cannot commence before the specifics of the waiver are determined.
- Federal preliminary review takes at least 45 days.
- The federal determination process takes at least 180 days. Any time during this process, the reviewing agency may stop the clock to request more information.
- The time period for preparing to implement the waiver after it is granted depends on the nature of the changes but should be expected to take a minimum of 90 days.
- Insurers indicate that implementing a waiver on any date other than January 1st may be problematic.

Given the considerations listed above, the task force felt that a waiver might be possible by January 1, 2017, only if:

a) The staff supporting the task force and waiver development be available to serve continuously. This may be problematic with the change in Administration, including the Governor's staff who support the process. Contributing to the uncertainty is the lack of funding for staff or any other costs related to support for the task force or waiver development.
b) The Legislature and Governor come to an early, decisive agreement on the direction of a proposed waiver.
c) The agreed-upon waiver is straightforward, and its effects easily quantified.
d) No other waivers (Medicare, Medicaid, or CHIP) need to be coordinated with the ACA waiver.
e) The Legislature provides resources to support staff, consultants, and travel to neighbor islands for public meetings effective July 1, 2015.
f) The Legislature conducts public meetings during the 2015 session.
g) The Legislature passes authorizing legislation in 2015.

Absent a shared vision for a simple, limited waiver and a sense of urgency to carry out legislative and public hearing steps, the process could exceed the originally envisioned timeframe. The advantage to a less hurried timeframe is that the task force and Legislators can consider a variety of health care financing, insurance, and delivery system issues that could improve Hawai'i's health care landscape more radically over time.

ACA Waiver Timeline: Version 1. Implement by January 1, 2017

Conditions that must be met

a. Staff are available to continue process (currently no funds are available post-12/2014)

b. Early, strong agreement on waiver direction

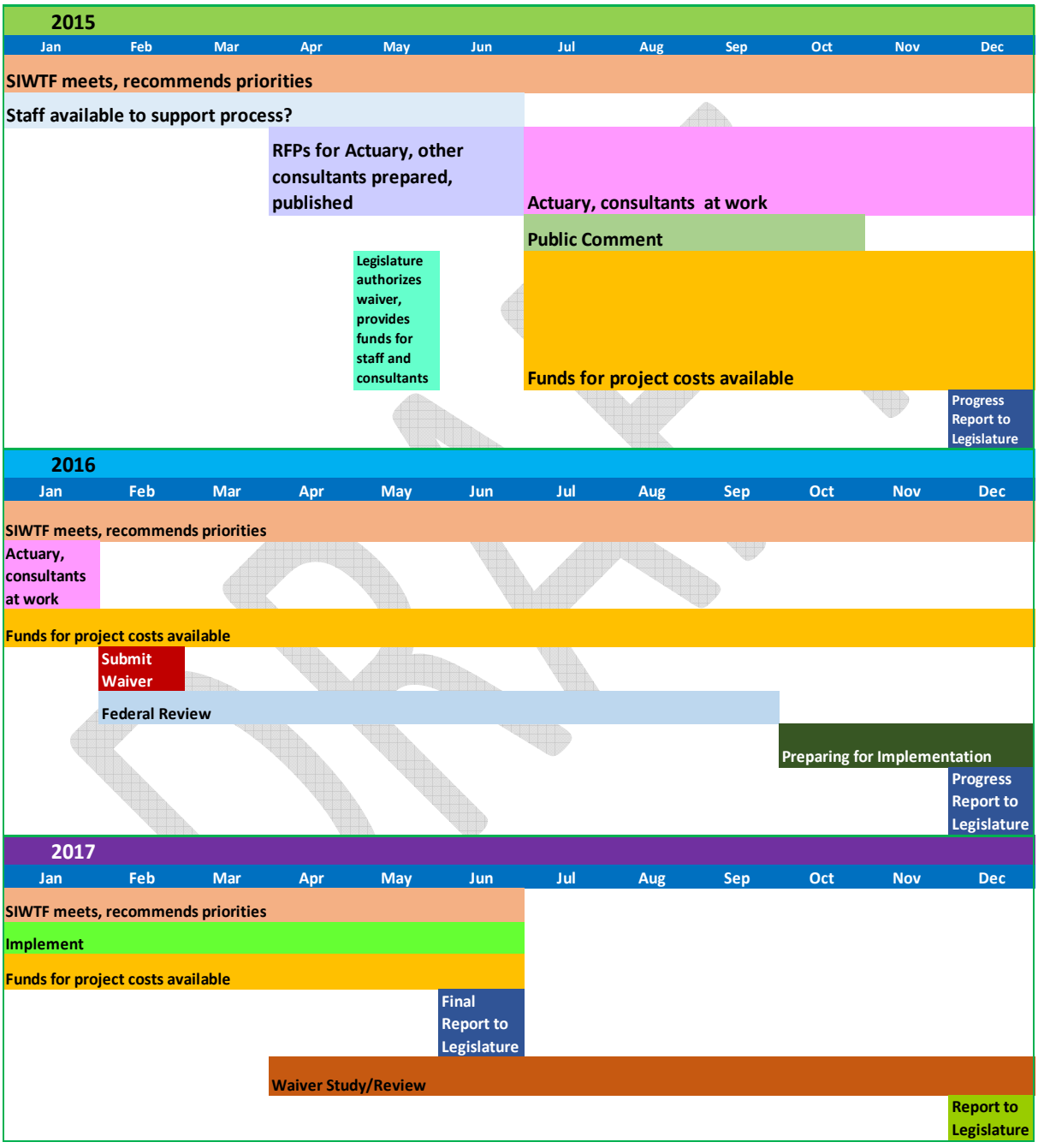
c. Waiver elements must be easily quantifiable

d. No other waivers (Medicaid, Medicare, CHIP) are necessary

e. Legislature provides resources for staff, actuary, waiver development, community meetings

f. Legislature must conduct public hearings during the 2015 session

g. Legislature passes authorizing legislation in 2015

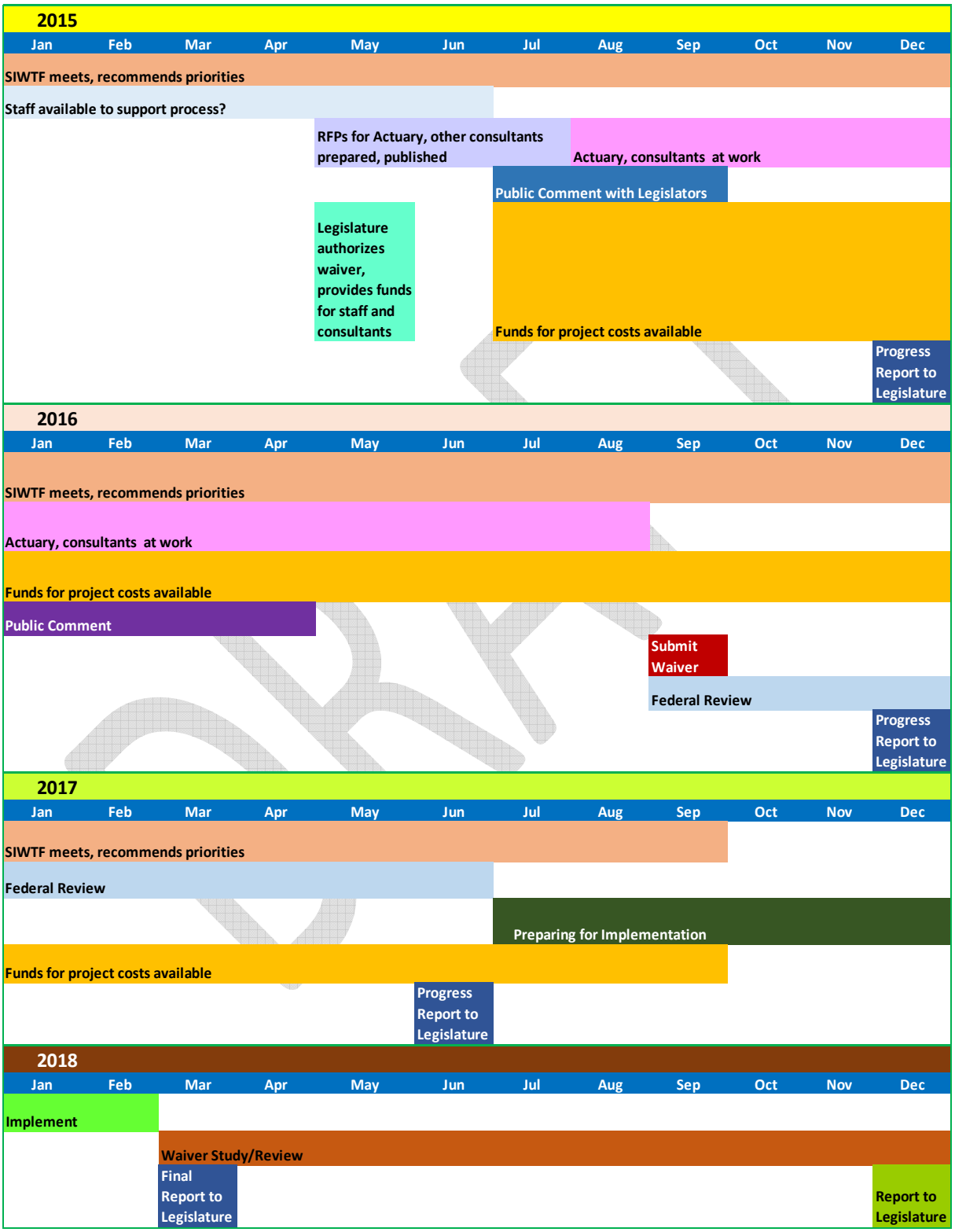


ACA Waiver Timeline: Version 2: More Complex Waiver and Process. January 2018 Implementation.

Conditions that must be met:

a. Staff are available to continue process (currently no funds are available post-12/2014)

b. Legislature provides resources for staff, actuary, waiver development, community meetings



ACA Waiver Timeline: Version 3: More Complex Waiver and Process Delays. Implement January 2019

Conditions that must be met:

a. Staff are available to continue process (currently no funds are available post-12/2014)
b. Legislature provides resources for staff, actuary, waiver development, community meetings