



# Affordable Care Act Implementation in Hawaii

## Fact Sheet

**Published: SEPTEMBER 2012**

The U.S. Supreme Court ruled on June 28, 2012 to uphold the Patient Protection and Affordable Care Act, most commonly referred to as the Affordable Care Act or ACA. The ACA was created in response to unsustainable health care costs, and sought to bend the cost curve by improving quality and access to care for all Americans.

The shift, nationwide and in Hawaii, in health care from pay-for-performance (volume) to pay-for-quality (outcomes) will continue to move forward over the next several years. Reimbursement will be increasingly tied to quality metrics and patient outcomes, a shift that Hawaii has already been embracing.

*Please note: the provisions listed below are current as of the publish date. Should the political climate shift, there may be changes to the full implementation of the provisions below.*

## Hawaii is Ahead of the Game

### Hawaii currently has the second lowest rate of uninsured in the nation

The US Census Bureau estimates that in 2010, 885,000 people in Hawaii were covered by private health insurance impacted by the Affordable Care Act.

Overall, 92.3% of the Hawaii population was insured in 2010.

This rate is second in the nation only to Massachusetts (94.4%) with the national average at 83.7%. In contrast, the state with the lowest insured rate is Texas (75.4%).

Hawaii's QUEST program provides coverage up to 133% of the poverty level, well beyond the Federal minimum requirements. In addition, Hawaii extends coverage to children up to 300% of the poverty level.

TRICARE coverage of active military, dependents and retirees also plays a role in Hawaii's low uninsured rate.

### The Hawaii Prepaid Healthcare Act (1974) mandates employer coverage

One of two states with an insurance mandate, Hawaii has employer-mandated health care; Massachusetts has an individual mandate.

The Hawaii Prepaid Health Care Act of 1974 (Hawaii Revised Statutes Chapter 393) has an exemption from the federal Employee Retirement Income Security Act (ERISA) law that would have invalidated it.

## **Quality initiatives already in place**

The CMS (Centers for Medicare and Medicaid Services) Partnership for Patients initiative is a collaborative program among providers, patient groups, and the government that catalyzes care improvement in hospitals.

The Healthcare Association of Hawaii (HAH) is the lead for the Hawaii Affinity Team, which in partnership with Premiere is one of only 26 Hospital Engagement Networks (HEN) in the nation to receive federal funds for the CMS Innovation Center's Partnership for Patients initiative, with 20 participating hospitals in Hawaii.

## **Gains Hawaii will see from Affordable Care Act – highlights**

### **Small Business Health Insurance Tax Credit**

Under this program, employers may be eligible for up to 35% tax credits to help pay for health insurance for 2011- 2013. In 2014, this credit will increase to a maximum of 50%.

The credit is given to employers with less than 25 full-time employees or a combination of full-time and part-time employees. Two half-time employees equal one employee for the purposes of the credit). Additionally, the average annual wages of employees must be less than \$50,000, and the employer must pay at least half of the insurance premiums.

Due to Hawaii's Prepaid Health Care Act of 1974, the overwhelming majority of small businesses (79%) in Hawaii provide health insurance for their employees. This is significant since nearly 27,000 businesses in Hawaii have less than 20 employees.

### **Hawaii's Insurance Exchange (Hawai'i Health Connector) will close the gap in insurance coverage**

Health care insurance exchanges will provide options for an underserved market, including:

- part time workers who do not meet the 20 hour minimum for four consecutive weeks;
- new immigrants who are not eligible for Medicaid due to the PRWORA Act of 1996, which restricts eligibility for the first 5 years of residency;
- retirees who do not qualify for Medicare due to working less than 40 quarters in Medicare covered employment;
- early retirees not eligible for Medicare and are restricted from obtaining insurance coverage due to medical underwriting or excessive premiums;
- dependents currently enrolled on PHCA plans; and
- dependents not eligible for their own coverage.

## Phased implementation of ACA in Hawaii

Phased implementation of different provisions of ACA has already begun and will continue through 2014. The following is a detailed implementation chart as it affects health care in the state of Hawaii.

Provision	Takes Effect	In Effect	Who?	What?	Why/How?
<b>Small business tax credits</b>	2010 - 2015	X	small businesses	Small businesses with less than 25 employees could be eligible for up to a 35% tax credit for their health insurance costs.	Due to Hawaii's Prepaid Health Care Act, typically referred to as PHCA, the majority of small businesses in Hawaii provide health care coverage for their workers.
<b>Children remaining on parent's policies until age 26</b>	2010	X	Children under 26	Dependent children are permitted to remain on their parent's plan up to age 26.	Previously, children were only permitted on parent's plans up to age 23 and were required to be full-time students. Status: As of December 2011, 6,000 young adults in Hawaii gained insurance coverage as a result of the Affordable Care Act.
<b>No lifetime benefit caps</b>	2010	X	individuals	Essential benefits will have no lifetime dollar restriction as of 2014.	Previously, as late as 2010, the majority of health plans had a \$2 million maximum lifetime benefit. Status: Already, 462,000 Hawaii residents, including 173,000 women and 115,000 children, are free from worrying about lifetime limits on coverage. The law also restricts the use of annual limits and bans them completely in 2014.
<b>No pre-existing exclusions for children</b>	2010	X	Children	Under the health care law, plans that cover children can no longer exclude, limit, or deny coverage to your child under age 19 solely based on a health problem or disability that your child developed before you applied for coverage.	Previously, plans could deny coverage through a medical underwriting process for treatments involving pre-existing conditions.

Table continues on the next page

<b>Filling the Medicare “donut hole”</b>	2010	X	Medicare recipients	Discounts on brand-name prescriptions and generic drug coverage.	Currently, there is a gap in coverage after a beneficiary uses more than \$2,700 in prescription benefits. Status: Since the law was enacted in 2010, Hawaii residents with Medicare have saved a total of \$14,569,414 on their prescription drugs. In the first five months of 2012, 4,174 people with Medicare received a 50% discount on their covered brand-name prescription drugs when they hit the “donut hole”. This discount has resulted in an average savings of \$300 per person, and a total savings of \$1,250,442 in Hawaii.
<b>Pre-existing condition insurance plan</b>	2010	X	individuals	Individuals with pre-existing conditions that have been uninsured for six months can apply for coverage.	Premiums in Hawaii range from \$371 to \$500 based on age and the range of benefits selected. Status: As of April 2012, 107 previously uninsured residents of Hawaii who were locked out of coverage because of a pre-existing conditions are now insured.
<b>Early retiree reinsurance program</b>	2010	X	employers	Companies that offer employer sponsored coverage to early retirees can receive a financial subsidy to maintain coverage. For employees 55 and older who are not eligible for Medicare.	Status: 15 applicants in Hawaii were approved into the program and will receive reinsurance for the claims of high-cost retirees and their families (80% of the costs from \$15,000 to \$90,000).
<b>100% coverage of preventive services</b>	2010	X	individuals	Recommended preventive services such as vaccinations, annual physical exam, screening mammography and well-child visits are covered at 100%. Required for policies beginning on or after September 23, 2010.	Status: In 2011, 117,818 people with Medicare in Hawaii received free preventive services – such as mammograms and colonoscopies – or a free annual wellness visit with their doctor. And in the first six months of 2012, 53,422 people with Medicare received free preventive services. Because of the law, 54 million Americans with private health insurance gained preventive service coverage with no cost-sharing, including 240,000 in Hawaii. But for women especially, this provision will have a great impact. Beginning August 1, women in Hawaii can now get coverage— without cost-sharing—of even more preventive services they need. Approximately 47 million women will now have guaranteed access to additional preventive services without cost-sharing for policies renewing on or after August 1, 2012, including 210,665 in Hawaii.

Table continues on the next page

<b>Improving quality and health efficiency</b>	2011	X	health care providers	The law establishes a new federal Center for Medicare & Medicaid Innovation that will begin testing new ways of delivering care to patients. These new methods are expected to improve the quality of care and reduce the rate of growth in costs for Medicare, Medicaid, and the Children’s Health Insurance Program (CHIP).	Status: Hawaii is exploring various initiatives such as the integration of benefits for beneficiaries with both Medicare and Medicaid coverage and “Health Homes” to improve care coordination and access.
<b>Partnership for Patients</b>	2011	X	health care providers	The two goals of this new partnership are to: <ul style="list-style-type: none"> <li>•Keep patients from getting injured or exposed to new illnesses. By the end of 2013, preventable hospital-acquired conditions are targeted to decrease by 40% compared to 2010. Achieving this goal would mean approximately 1.8 million fewer injuries to patients with more than 60,000 lives saved over three years.</li> <li>•Help patients heal without complications. By the end of 2013, preventable complications during a transition from one care setting to another are targeted to decrease so that all hospital readmissions would be reduced by 20% compared to 2010. Achieving this goal would mean more than 1.6 million patients would recover from illness without suffering a preventable complication requiring re-hospitalization within 30 days of discharge.</li> </ul>	Hawaii is one of 26 Hospital Engagement Networks selected by CMS to support initiatives that make health care safer and less costly by targeting and reducing the millions of preventable injuries and complications from health care acquired conditions. In 2010, hospital-acquired conditions cost more than \$16.4 million in Hawaii.
<b>Encouraging integrated health systems</b>	2012	X	health care providers	The new law provides incentives for physicians to join together to form “Accountable Care Organizations” (ACOs). In these groups, doctors can better coordinate patient care and improve quality. If ACOs provide high quality care and reduce costs to the health care system, they can keep some of the money that they have helped save. To date, in total, there now are 153 organizations participating in Medicare shared savings initiatives, serving over 2.4 million Medicare patients in 40 states and DC.	Status: To date, Hawaii providers have not contracted with CMS and the Federal government to form ACOs. However, private agreements are already underway between Hawaii Pacific Health and HMSA.
<b>Linking payment to quality outcomes</b>	2012		health care providers	The law establishes a hospital Value-Based Purchasing program (VBP) for the Medicare program and offers financial incentives to hospitals to improve the quality of care.	Status: Hawaii hospitals are already engaged in a number of quality initiatives focusing on reducing readmissions and hospital acquired infections.

Table continues on the next page

<b>Increased Medicaid payments to primary care physicians</b>	2013	health care providers	The law requires states to pay primary care physicians no less than 100% of Medicare payment rates in 2013 and 2014 for primary care services with the increase being fully funded by the federal government.	Medicaid covers over 250,000 beneficiaries in Hawaii and the increase in payments should allow for improved access to care for this population.
<b>Additional funding for the Children’s Health Insurance Program</b>	2013	CHIP recipients	The law provides funding for two additional years, FY14 – 15.	In Hawaii, over 30,000 children and pregnant immigrant women and children are covered by these funds. Hawaii’s CHIP eligibility is among the most inclusive in the nation, covering children living in households with up to 300% of the Federal Poverty Level, or \$80,000 for a family of four.
<b>Establishing Health Insurance Exchanges</b>	2014	individuals and small businesses	Starting in 2014, Hawaii residents and employers will be able to buy health insurance through an Affordable Insurance Exchange. An Exchange is a new, transparent, and competitive insurance marketplace where individuals and small businesses can buy affordable and qualified health benefit plans	Status: Hawaii has already received \$77.2 million in grants for research, planning, information technology development, and implementation of Affordable Insurance Exchanges. The Hawai’i Health Connector will be fully operational as a health insurance exchange on January 1, 2014.
<b>Pre-existing conditions</b>	2014	individuals	The law implements strong reforms that prohibit insurance companies from refusing to sell coverage or renew policies because of an individual’s pre-existing conditions. Also, in the individual and small group market, it eliminates the ability of insurance companies to charge higher rates due to gender or health status.	
<b>Rate determinants</b>	2014	individuals	In the individual and small group market, the law eliminates the ability of insurance companies to charge higher rates due to gender or health status.	

## Quick Links

### National:

Patient Protection and Affordable Care Act – full text of legislation

[www.healthcare.gov/law/full](http://www.healthcare.gov/law/full)

Summary of the New Health Reform Law (The Henry J. Kaiser Family Foundation, April 2011)

[www.kff.org/healthreform/upload/8023-R.pdf](http://www.kff.org/healthreform/upload/8023-R.pdf)

Supreme Court Ruling on Affordable Care Act (Full text, June 28, 2012)

[www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf](http://www.supremecourt.gov/opinions/11pdf/11-393c3a2.pdf)

A Guide to the Supreme Court’s Affordable Care Act Decision (The Henry J. Kaiser Family Foundation, July 2012)

[www.kff.org/healthreform/upload/8332.pdf](http://www.kff.org/healthreform/upload/8332.pdf)

Partnership for Patients

<http://www.healthcare.gov/compare/partnership-for-patients>

American Health Care Association Health Care Reform Resource Center

[www.ahcancal.org/advocacy/healthcarereform](http://www.ahcancal.org/advocacy/healthcarereform)

HealthCare.gov The Health Care Law & You

[www.healthcare.gov/law](http://www.healthcare.gov/law)

The Henry J. Kaiser Family Foundation Health Reform Source

[healthreform.kff.org](http://healthreform.kff.org)

Kaiser Health News

[www.kaiserhealthnews.org](http://www.kaiserhealthnews.org)

### Hawaii:

Healthcare Association of Hawaii (HAH)

[HAH.org](http://HAH.org)

Hawaii Health Information Corporation (HHIC)

[hhic.org](http://hhic.org)

Hawai'i Health Connector

[www.hawaiihealthconnector.com](http://www.hawaiihealthconnector.com)

State of Hawai'i Healthcare Transformation

[hawaii.gov/healthcare-transformation](http://hawaii.gov/healthcare-transformation)

Hawaii Healthcare Project (HHP)

[hawaii.gov/healthcare-transformation/newsroom/HHP\\_NewsRelease\\_FINAL\\_072512.pdf](http://hawaii.gov/healthcare-transformation/newsroom/HHP_NewsRelease_FINAL_072512.pdf)

Small Business Health Insurance Tax Credit:

[hawaii.gov/dcca/ins/small-business-health-insurance-tax-credit.html](http://hawaii.gov/dcca/ins/small-business-health-insurance-tax-credit.html)

The Healthcare Association of Hawaii (HAH) has been the leading voice of health care since 1939. HAH membership includes a majority of the acute care hospitals, long term care facilities, home health agencies and hospices in the state of Hawaii. In a time of unprecedented change in health care, HAH is committed to working with providers across the continuum of care toward a health care system that offers the best possible quality of care to the people of Hawaii.

## **Our Vision**

A healthy Hawaii where every resident of every age has convenient access to appropriate, affordable, high quality care, and where health care providers are reimbursed adequately to deliver that care.

As the unifying voice of Hawaii's health care providers and an authoritative and respected leader in shaping health care policy in Hawaii, HAH works with committed partners and stakeholders to lead the movement toward achieving an equitable, sustainable Hawaii health care system driven to improve quality, efficiency and effectiveness for the patients and communities who entrust their care to us.