

QUEST

“The Next Generation”

By Lillian B. Koller, Esq.

Director, Department of Human Services



The Department of Human Services has been working over the past several months to prepare an application for the renewal and expansion of our current Medicaid QUEST waiver program, which expires on June 30, 2005. Through this waiver program, we are seeking ways to increase access to quality health care, reduce the number of our uninsured children, and preserve our generous Federal matching funds at a level that the State can afford to sustain.

Depending on cost projections and available resources, we will attempt to extend children’s coverage under the State Children’s Health Insurance Plan (SCHIP) program from the current family income level of 200% of the federal poverty level (FPL) to at least 225% FPL, and eliminate the requirement that children must have been enrolled in QUEST before becoming eligible for QUEST-Net (a program developed mainly for people who no longer qualify for QUEST with income levels up to 300% FPL). This ensures that all children from families with incomes at or below 300% FPL have access to the full QUEST benefit package, with no cost to families up to at least 225% FPL and with reasonable premium share for families with income up to 300% FPL.

In addition, we will explore a pilot project under the federal Health Insurance Flexibility and Accountability (HIFA) initiative. Our HIFA proposal would allow parents who become employed and leave State financial assistance programs to receive “COBRA-like” premium assistance for an additional year after their mandatory Medicaid coverage ends.

The Lingle-Aiona Administration is committed to improving access to quality health care for Hawaii’s residents. We are optimistic that these initiatives are achievable and sustainable, and will boost the well-being of children and strengthen the self-sufficiency of families.

What are Health Savings Accounts (HSAs)?

HSAs are tax-free accounts established by Congress in 2003 that can be set up by individuals or employers to help pay for qualified medical expenses. These personal accounts are owned by the individuals, even when employers establish and contribute to them. HSAs are available to anyone covered under a high-deductible health plan who is not simultaneously covered by other health insurance or who is enrolled in Medicare. Both the amount contributed and the interest earned is not taxed, and individuals can carry over unused funds to the following year.

HSAs are required to be established in conjunction with a high-deductible health plan (HDHP). A health plan qualifies as an HDHP if it has an annual deductible of at least \$1,000 (\$2,000 for families) and annual out-of-pocket expenses that do not exceed \$5,000 (\$10,000 for family coverage).

Because these accounts are new, it is too early to assess with certainty what impact they will have on people’s ability to finance and access medical care, or on the health care system in

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What are Health Savings Accounts (HSAs)?

general. Proponents argue that consumers make more cost-effective choices regarding their health care services since more of their own dollars are being used. However, opponents argue that cost shifting might also result in people not getting or delaying necessary care, leading to other cost issues. Furthermore, opponents fear that HSAs will lead to an erosion of comprehensive job-based coverage because HSA tax incentives would encourage employers to shift benefits from comprehensive coverage to high-deductible plans.

MISSION

To ensure health coverage access to all who need it.

Working in partnership with researchers and the community, the project is an educational resource to support policy-makers as they develop workable plans that will cover the uninsured. The project also aims to raise awareness and improve understanding of the problem's magnitude and the consequences of a large uninsured population.

The Hawai'i Uninsured Project is a program of the Hawaii Institute for Public Affairs, which is Hawaii's only independent, nonpartisan and nonprofit organization dedicated to elevating Hawaii's public decision-making process through sound public policy analysis, fact-based research, and community collaboration.

This newsletter is supported in part by funding from The Robert Wood Johnson Foundation, awarded to the State of Hawaii's Department of Health.

The issues of health coverage access can only be solved by a coordinated effort of all segments of our community. Our ohana represents a strong, broad and growing alliance.

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the HAWAII
Uninsured Project

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More Options. Better Access. Hawaii needs it now.

Hawaii's people deserve better access to quality, affordable health care.

HUP's Health Economist – How Data Helps Shape Policy

Interview with Dr. Gerard Russo, Associate Professor, University of Hawaii Department of Economics



Dr. Russo directs the quantitative and qualitative research activities of the Hawai'i Uninsured Project (HUP) through a federal Health Resources and Services Administration Grant. He and his team have analyzed various data sources to characterize Hawaii's uninsured population and have conducted economic modeling of policy and financing options under consideration by the HUP leadership group.

Q. What has been your most interesting finding to-date regarding Hawaii's uninsured population?

A: One of our most interesting findings has been the large number of uninsured who are working full-time, and who, according to the requirements of Hawaii's Prepaid Health Care Act of 1974, should have employment-based health care coverage. Our research shows that about 31,000, or 37 percent, of Hawaii's uninsured adults work more than the 20 hours per week which would make them eligible for employer-sponsored insurance, but for some reason they are not covered.

Q: What could explain this?

A: We analyze census data from the US Department of Labor, Bureau of Labor Statistics that is provided to us without any identifying information, so we have no way of getting more specific information about respondents' employment situation. We have a very high rate of compliance with the law, which means that employers are providing coverage for their employees and often for their dependents. But we also know there are individuals exempt from the law who are uninsured – certain government employees and those working in family businesses. We hear anecdotal information both locally and nationally about young adults waiving health insurance benefits in exchange for higher wages. And we know there is an underground economy where employees will accept jobs without benefits because they need to work.

Q: How has your data affected the project's policy direction?

A: Because of the large number of working uninsured, a significant part of the project's focus has been on developing policy options for getting these people covered. Our data also shows that another large group of uninsured adults are very low income individuals

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Happy Holidays
and
Best Wishes
in 2005!

from the
HAWAII UNINSURED PROJECT
Leadership and Staff

Firms Face Compliance Audits

The Honolulu Advertiser recently reported that the state Department of Labor and Industrial Relations plans to randomly audit Hawai'i companies to make sure they are providing health insurance to all qualified workers. Businesses randomly chosen by computer will be audited to ensure they are in compliance with the law, and the Department will also look at companies' compliance with workers' compensation and temporary disability insurance coverage laws. For the full text of the article, please visit our website at www.healthcoveragehawaii.org and click on the News/Reports/Events link.

Susan Au Doyle Appointed as Chair of the Hawai'i Uninsured Project Leadership Group



The Hawai'i Uninsured Project (HUP) recently announced the appointment of **Susan Au Doyle** as Chair of its Leadership Group. Susan replaces Dr. Virginia Pressler, who served as HUP's founding chair and was recently promoted to Vice President of Service Line Development for Hawai'i Pacific Health.

"While we are sad to lose Ginny's long-standing participation in the Project, Susan has been an engaged and dedicated member on our Leadership Group. She brings her diverse experience as an administrator and leader," said Laurel Johnston, HUP Executive Director. "We extend our deepest appreciation to Ginny for her leadership and service to the project and wish her well in her new endeavors."

Susan is the President and Chief Professional Officer for the Aloha United Way. She joined Aloha United Way in March 2001 to lead the Community Building Division, and most recently served as Vice President and Chief Operating Officer. She was previously the President and CEO of the YWCA of O'ahu and deputy director of the state Department of Commerce and Consumer Affairs.

HUP also welcomes the following members to its leadership group: **Andrew Levin**, administrative assistant to Hawaii County Mayor Harry Kim; **Don Dawson** of the National Federation of Independent Business; **Constance Hastert**, Corporate Secretary and Director of Government Affairs & Communications for the Hawaii Employers Council, and **Murray Towill**, President of the Hawai'i Hotel and Lodging Association.

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Interview with Dr. Gerard Russo

Hawaii's Uninsured Population by Age		
Age 0-18	25,669	23%
Age 19-64	84,369	75%
Age 65+	2,527	2%
TOTAL	112,565	100%
Note: CPS 1994-2003, 10-year average		
Uninsured Adults (Age 19-64) by Employment		
Self-Employed	11,571	14%
Part-time (1-19 hours)	4,302	5%
Full-time (20+ hours)	31,376	37%
Other (Unemployed, students, homemakers, retirees, etc.)		
	37,120	44%
TOTAL	84,369	100%
Note: Weighted tabulations CPS 1994-2003, Hawaii sample, 10-year average		
Uninsured Adults (Age 19-64) by Income Level		
0-100% FPL	24,458	29.0%
101-200% FPL	23,291	27.6%
201-300% FPL	14,013	16.6%
301+%FPL	22,607	26.8%
TOTAL	84,369	100.0%
Note: Weighted tabulations CPS 1994-2003, Hawaii sample, 10-year average		

who traditionally would be covered through government programs. 29 percent of uninsured adults have incomes below 100% FPL, making them Medicaid-eligible, but many can't access the program because of the current enrollment cap. So that's something we're looking at.

With regard to coverage for children, our modeling has shown that if the state were to raise the income eligibility requirements to accept more children into our State Children's Health Insurance Program, there is a potential for "crowd-out," where some families would drop their employment-based coverage for government coverage. That means that the state government would need to come up with more funds on the front end, in order to receive the generous federal matching funds. And, the state government would need to make a policy decision about whether to allow children to migrate from a private to a public program.

(Editor's note: To view the data that Dr. Russo and his team have compiled on the uninsured, please visit the Project's website at www.healthcoveragehawaii.org and click on the Research link.)

National Experts Highlight *Ways to Help the Uninsured*

Due in large part to Hawaii's unique Prepaid Health Care Act, the state's pattern of health insurance coverage differs from those in the rest of the nation. While we rank amongst the top ten states in the country in overall rates of insured and substantially higher than average rates of employer-sponsored coverage, our rate of coverage through government programs such as Medicaid and SCHIP is average or below average. This was one of the key observations offered by Alan Weil, executive director of the National Academy for State Health Policy and other national experts at a health policy forum sponsored by the Hawai'i Institute for Public Affairs on October 13, 2004. More than 150 leaders in business, labor, health care, social services, government, and advocacy and community organizations gathered to hear from national experts and discuss ways to help the uninsured.

Weil noted that although the PHCA has enabled more full-time employees to have health insurance coverage, Hawaii may want to consider expanding public programs, to allow the self-employed and those working part-time to buy-into a government program, as a way of covering those exempt from the law.

Vickie Gates, executive director of the Oregon Health Care Quality Corporation and consultant to the Hawai'i Uninsured Project, echoed Mr. Weil's comments, indicating that 28.9% of Hawaii's uninsured adults are at less than 100% FPL and eligible for Medicaid, but unable to enter the system because of a cap on enrollment due to limited state funds.



Deborah Chollet, a senior fellow at Mathematica Policy Research, Inc., talked about the dynamics of insurance markets and pricing, stating that about 20 percent of those seeking medical care account for 80 percent of the cost, and that when insurance is voluntary, those who are healthy are least likely to buy insurance since their utilization (benefit) is low compared to the cost of their premiums. This adverse selection raises the average cost of insurance for those who buy it. In order to reduce adverse selection and ultimately lower health care costs, states must look at expanding coverage options for all people, to spread the risk across a larger pool.

Highlights of the 2004 Health Policy Forum are available on the Hawai'i Uninsured Project's website, www.healthcoveragehawaii.org.

Mahalo!

Thank you to the sponsors of the Hawaii Institute for Public Affairs' 2004 Health Policy Forum for their support and generosity:

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TO COVERAGE

More Options. Better Access. Hawaii needs it now.

Ted Halstead's New America Mandate on Health Coverage

Ted Halstead, founding President and CEO of the New America Foundation (NAF), delivered the luncheon keynote address at the Hawaii Institute for Public Affairs' Health Policy Forum on October 13 at the Hilton Hawaiian Village.

NAF is an independent, nonpartisan, and nonprofit public policy institute in Washington, D.C. that has captured the attention of national leaders and news organizations on a wide variety of public issues ranging from health care to trade and economic development to education reform.

Mr. Halstead and his New America Foundation team have advocated a bold proposition – to make an adequate level of health insurance coverage mandatory and affordable for ALL individuals – **universal coverage in exchange for universal responsibility**.

The goals of the NAF health coverage reform plan:

Achieve universal health insurance coverage; allow access to a choice of affordable health plans regardless of job status and permit individuals to take their health plan and doctors with them when they change jobs; reduce the rate of increase in health insurance premiums by requiring everyone to maintain and contribute to the cost of coverage; and shift much of the cost of subsidizing basic health coverage for low-wage workers from employers to society as a whole by allowing employer-sponsored plans to receive tax credits to subsidize insurance for low-income individuals and their dependents.

To achieve these goals:

Every individual would be required to purchase coverage from among competing private providers; the plan would be based on basic but adequate coverage; costs would be shared by individuals, employers, and government; individual



Hawaii Institute for Public Affairs' President & CEO Bill Kaneko and Ted Halstead

contributions would not exceed a modest share of family income because of subsidies on a sliding scale basis; employers would have a mandate by either providing coverage or paying for a portion of it; and community insurance pools would be established in every state.

Mr. Halstead maintains that this plan would lower the cost of insurance by broadening the risk pool, ending cost-shifting, providing universal and fully portable coverage regardless of employment status, significantly expanding choice, increasing quality of care, and only costing \$80 billion a year in new federal spending.

With respect to the plan's impact in Hawaii, Mr. Halstead believes it would fit well with our existing employer mandate, the Prepaid Health Care Act of 1974, and bring our state to near universal coverage. For more information about the New America Foundation's proposal, see *Universal Coverage, Universal Responsibility: A Roadmap to Make Coverage Affordable for All Americans*, available at www.newamerica.net.