

Hawaii State Innovation Waiver
 Section 1332 Waiver Extension Application
 Summary of Comments
 December 2021

Commenter	Summary of Comment	Departments' Response
Individual	<p>Due to Hawaii's section 1332 waiver, small businesses in Hawaii are unable to take advantage of the medical insurance credit on the tax return for the IRS on form 8941. Meanwhile, small businesses in most other states can receive a credit on form 8941 when they provide medical coverage to employees. Hawaii small businesses should have the same opportunity to take advantage of the credit. The pass-through funding given to Hawaii would be a much larger savings if the federal government were to give businesses the credit, instead of deducting it from the IRS.</p> <p>For small business clients seeking to apply for funding via the Prepaid Health Care Act's Premium Supplementation Fund, the application process is laborious. The waiting period for employer applications to be reviewed is over 9 months and for some, the actual payout never occurs.</p>	<p>Thank you for your comment. We appreciate your concern.</p> <p>First, with regard to your comment on small businesses in Hawaii being unable to apply for the federal Small Business Health Care Tax Credit (SBTC): With the section 1332 waiver, Hawaii is waiving the Affordable Care Act requirement that a Small Business Health Options Program (SHOP) operate in in the state, and other related requirements relevant to SHOP Exchanges, to allow the state to continue implementing its Prepaid Health Care Act (Act). The Departments have determined that implementation of this waiver plan will lower federal spending on the SBTC, to which Hawaii employers would have been entitled absent the waiver.</p> <p>These SBTC savings are passed through to the state to be used for implementation of the waiver plan. In Hawaii's case, pass-through funding is used primarily to support the state's Prepaid Health Care Premium Supplementation Fund, which helps small businesses offer affordable health coverage to employees.</p> <p>As such, the amount of federal pass-through funding that Hawaii receives given its section 1332 waiver is equivalent to the amount of money the federal government would have spent on the SBTC in Hawaii.</p> <p>Secondly, we have raised your concerns with the state on the processing of employer applications for the Prepaid Health Care Premium Supplementation</p>

		<p>Fund (Fund). The state has provided the following information in response:</p> <p>It typically takes six to nine months for an application to be received, reviewed, processed, and paid. The processing time varies depending upon the integrity of the application, the number of employees in the company, the number of applications received from other employers, the workload of the auditing staff, and the compliance status of the employer. The processing time may be shortened if the employer has a minimal number of employees or if the paperwork submitted is complete and does not require us to contact the employer for additional documentation. Conversely, the processing time will be delayed if the application is for a large company or if the application is incomplete and the employer must be contacted for the necessary documentation.</p> <p>In terms of steps the state may take to improve the application review process, the state has noted it is taking measures to reduce the number of times it must contact the employer for additional documentation by updating the application instructions with detailed information on the required documents that must be submitted with the application. The state will also develop and post Frequently Asked Questions on the state website to address common problems and errors encountered and that may delay the employer's application process.</p> <p>Throughout the approved waiver extension period, the Departments will continue to work with Hawaii to ensure that its section 1332 waiver complies with the statutory guardrails.</p>
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