

Monday, April 6, 2020

10:00 a.m.

Via Videoconference

State Capitol

415 South Beretania Street

House of Representatives

The Thirtieth Legislature

Regular Session of 2020

House Select Committee on COVID-19 Economic and Financial Preparedness

Report of the Select Committee's Third Meeting,

Held on Monday, April 6, 2020

The House of Representatives established the House Select Committee on COVID-19 Economic and Financial Preparedness (Committee) pursuant to House Resolution No. 54 (Regular Session of 2020). The membership of the Committee includes selected members of the House of Representatives, state government officials, and business leaders from private industry and non-profit organizations located in each of the primary counties.

The Committee is tasked with:

- (1) Identifying the potential economic and financial impact to the State;
- (2) Developing short-term and long-term mitigation plans; and
- (3) Monitoring COVID-19 conditions and outcomes.

The third meeting of the Committee discussed the current state of the economy and targets that must be met prior to reopening the State's economy. In addition, an update was provided on capital improvement projects and by various business sectors.

I. STATE OF THE CURRENT ECONOMY AND REOPENING OF THE ECONOMY

The University of Hawaii Economic Research Organization (UHERO) provided an update on the State's current economic situation. UHERO released a second interim forecast that is on track with the number of initial jobless claims that have been reported in the media. Specifically, job losses are estimated to peak in April at 170,000. UHERO is currently working on county-by-county job loss projections.

UHERO is also looking at implementation of the \$4,000,000,000 in federal aid coming to Hawaii through the CARES Act. With over eighty percent of the State's businesses being small businesses and over half of all workers in the State being employed by small businesses, it is important to receive and implement the CARES Act funding for small businesses as soon as possible. If the State's small businesses can get loans through the CARES Act, there is the potential to put 90,000 employees back to work, helping take the strain off Unemployment Insurance. UHERO is reaching out to the Small Business Administration and local banks to get data on what types of businesses are applying for loans under the CARES Act, how much they are applying for, and what business sectors they represent.

In looking at when the State can reopen its economy, UHERO cited the following targets, from a study by Summer LaCroix and Tim Brown, that must first be met:

- Sustained reduction in positive COVID-19 cases for at least two weeks;
- Hospitals in every county can safely treat all patients needing medical care without relying on crisis methods;
- Capacity to test and monitor everyone with symptoms of COVID-19; and
- Capacity to trace persons who had contact with or been exposed to persons testing positive for COVID-19.

Investment will be necessary to ensure the last two targets can be met. In addition, the State needs to provide information to the public in a timely and transparent manner to ensure public trust.

Once these targets are met, the State can look at relaxing some of the current stay-at-home restrictions and reopen the economy, starting with small businesses and then the tourist industry. Reopening small business might require some conditions such as the use of N95 face masks (if available) and having restaurants reduce the number of tables in their dining rooms.

The reopening of the tourist industry will depend on whether other places outside of Hawaii have COVID-19 under control. Other factors include demand for travel and whether airline employees and travelers feel safe. This may require a rapid testing platform and technological advancements on how to track travelers.

The best-case scenario is that the State's current actions allow tourists to see Hawaii as a safe vacation destination in as little as a couple months from now. The worst-case scenario is that the tourist economy cannot reopen until a COVID-19 vaccine is developed, which could take twelve to eighteen months.

If the State meets the targets discussed above, the economy could be ready to reopen rather quickly, starting with the local economy. Thereafter, timely development of plans and protocols on a global scale to relaunch Hawaii as a premier travel destination can begin to take shape.

II. BUSINESS INTERRUPTION INSURANCE

The Insurance Commissioner gave an overview on business interruption insurance (BII), which covers loss of business income as the result of a disaster. Generally, the coverage is triggered by an event that causes physical damage to the insured property and the business cannot continue to operate. For businesses to be covered with a BII policy during a pandemic such as COVID-19, a business would have had to purchase a policy or an endorsement to an existing policy that specifically covers a pandemic loss before the outbreak started. The Insurance Commissioner believes that it is unlikely that a person could purchase such a policy or endorsement during a pandemic. Contaminated or spoiled inventory or damaged equipment that cannot be sold or used may be considered physical damage; however, it is questionable whether BII covers such impairment due to a virus. The Insurance Commissioner had no knowledge of any successful COVID-19

claims under a BII policy but recommended that any BII policy holder that has a dispute over a claim based on COVID-19 contact the Insurance Commissioner.

III. FOOD INDUSTRY

A. Hawaii Food Industry Association

In its report to the Committee, the Hawaii Food Industry Association (HFIA) noted:

- The level of grocery sales over the past two weeks was increasing, but a continuing downward trend in sales is evident;
- The closure of convenience stores, especially in shopping malls and tourist areas, have impacted sale volumes;
- Food industry data shows the impact of layoffs as consumers are purchasing smaller quantities of low-cost food items;
- Foodservice businesses are finding that take-out food service cannot make up for the loss in revenue from dine-in services and in some cases have stopped providing take-out food service altogether;
- Foodservice business in grocery stores are down by as much as sixty percent in some areas;
- Income of suppliers has decreased by thirty to sixty percent due to the closure or reduced operations of higher margin outlets, restaurants, and hotels, and layoffs are occurring on the supply side of the food chain, many of which occurred prior to the CARES Act;

- Heavily shopped/hoarded items are beginning to come back in stock;
- Manufacturers are employing stock-keeping-unit measures on more items, as opposed to only high-volume items;
- Stores are increasing protective measure, such as plexiglass barriers and enforcement of social distancing;
- Applications and sales through electronic benefits transfer (EBT) has dramatically increased, although lower sales are anticipated after EBT benefits and employment income are exhausted or significantly diminished; and
- Many large food service suppliers with excess inventory have been donating the excess to nonprofits, who have also been working directly with the agriculture sector, to help feed the State's kupuna and keiki.

HFIA recommended that only one person per household go to the grocery stores at a time. In addition, since food workers are considered essential workers, Hawaii should look at services provided in other states, such as childcare and access to COVID-19 testing.

B. Hawaii Restaurant Association

Restaurant closures continue to increase. Restaurants switching to take-out only are finding that it is not significantly replacing the void left by revenues from dining room sales. The Hawaii Restaurant Association requested that consideration be given to allow restaurants to also sell alcoholic beverages to take-out customers on

Oahu. Whether local distilleries could also be allowed to conduct direct sales to consumers was also discussed.

One positive for restaurants was that health insurers were continuing coverage for laid off restaurant employees for sixty days.

IV. HEALTH INSURANCE

The Hawaii Medical Service Association (HMSA) is prioritizing relief and stabilization and ensuring that its reserves are readily available in anticipation of a surge in COVID-19 cases expected around April 25. HMSA has also been working with stakeholders by:

- Creating dedicated teams within care facilities;
- Suspending normal processes such as preauthorization requirements;
- Continuing payments to primary care providers;
- Paying for telehealth that does not comply with the Health Insurance Portability and Accountability Act, including consultation via Facetime and Skype;
- Working on payment plans with certain employers to avoid termination of coverage for non-payment of premiums for those employers who are unable to pay their insurance policy premiums for April and probably May;
- Launching an educational video, with the Chamber of Commerce, regarding accessing funds from the CARES Act;
- Waiving copays for COVID-19 related treatment, testing, and telehealth;

- Lifting early prescription refill restrictions; and
- Reconfiguring its website to provide better information on the availability of individual plans.

V. CAPITAL IMPROVEMENT PROJECTS

An update on "shovel ready" capital improvement projects (CIPs) was provided, including newly identified CIPs by the various state departments. The updated total for CIPs is approximately \$2,800,000,000.

The update included the total "shovel ready" CIP amounts by island as follows:

\$348,000,000	for Hawaii Island
\$260,000,000	for Maui
\$38,000,000	for Molokai
\$111,000,000	for Kauai
\$1,800,000,000	for Oahu

VI. HOTELS FOR HEROES

The Hawaii Lodging and Tourism Association reported that its Hotels for Heroes program acknowledges the sacrifice and service of the healthcare workers, first responders, and statewide law enforcement officers by providing them with free hotel accommodations for recuperation and to lower the risk of spreading COVID-19 to their families. At least thirty-three hotels across each of the counties are participating in the Hotels for Heroes program. Besides benefiting certain essential workers, the program allows hotels to

keep operating and maintain a certain level of employees. The program will run from April 6, 2020, to May 3, 2020, but may be extended.

VII. NEXT MEETING

The Committee adjourned at 10:52 a.m. The next Committee meeting will convene on Monday, April 13, 2020, at 10:00 a.m. via videoconference and will focus on developing plans for reopening the economy and possible timelines. Dr. Bruce Anderson of the Department of Health and Major General Kenneth Hara will be invited to participate and discuss meeting the measurable targets and economic recovery.