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# A BILL FOR AN ACT

RELATING TO MUTUAL BENEFIT SOCIETIES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that mutual benefit  
2 societies hold a unique position in the State's economy and  
3 business community. Mutual benefit societies are organized and  
4 carried on for the primary benefit of their members and their  
5 beneficiaries and not for profit. As a result, mutual benefit  
6 societies are exempted from many laws that apply to insurance  
7 companies. In addition to that exemption mutual benefit  
8 societies are tax-exempt or receive preferential tax treatment.  
9 However, because of limited application of the insurance code,  
10 the insurance commissioner has correspondingly limited  
11 supervisory authority over these entities.

12           The legislature further finds that payments to providers  
13 who are not participating providers can be so low in relation to  
14 what would be considered a reasonable charge for services as to  
15 provide illusory protection to the insured plan member who is  
16 responsible for the difference between the amount paid by the  
17 plan and the provider's fee. The plan's "eligible charge" for  
18 services rendered by nonparticipating providers are not



1 disclosed to members and, therefore, a member has no way of  
2 knowing before obtaining services how much of the  
3 nonparticipating provider's fee will be covered by insurance.  
4 The legislature also finds that this situation is unfair to the  
5 plan member and that simply requiring the health plan to make  
6 this information available would not sufficiently protect the  
7 plan members from the illusory nature of the provided insurance.  
8 The legislature further finds that, although a fee limited by  
9 the medicare fee schedule is low in relation to the real value  
10 of the services, it is at least within the range of  
11 reasonableness so that a plan member's reasonable expectations  
12 as to the coverage being purchased is not totally disabused.

13 The purpose of this Act is to ensure that health insurance  
14 coverage provided by a mutual benefit society provides for a  
15 reasonable portion of the reasonable charge of nonparticipating  
16 providers.

17 SECTION 2. Chapter 432, Hawaii Revised Statutes, is  
18 amended by adding a new section to article 1 to be appropriately  
19 designated and to read as follows:

20 "§432:1- Eligible charges for nonparticipating  
21 providers. All individual and group hospital and medical  
22 service corporation contracts shall provide coverage for health



1 care services rendered to members by nonparticipating providers.  
 2 The compensation to be paid to nonparticipating providers for  
 3 health care services shall not be less than the fees prescribed  
 4 in the Medicare Resource Based Relative Value Scale system  
 5 applicable to Hawaii as prepared by the United States Department  
 6 of Health and Human Services."

7 SECTION 3. Section 432:1-104, Hawaii Revised Statutes, is  
 8 amended to read as follows:

9 "§432:1-104 Definitions. For the purposes of this  
 10 article:

11 [~~(1) Commissioner~~] "Commissioner" means the insurance  
 12 commissioner of the State of Hawaii.

13 [~~(2) Mutual benefit society is~~] "Mutual benefit society"  
 14 is any corporation, unincorporated association, society, or  
 15 entity:

16 [~~(A)~~] (1) Organized and carried on for the primary benefit  
 17 of its members and their beneficiaries and not for  
 18 profit~~[7]~~ and~~[+~~

19 ~~(i) Making provision for the payment of benefits in~~  
 20 ~~ease of sickness, disability, or death of its~~  
 21 ~~members, or disability, or death of its members!~~



1 ~~spouses or reciprocal beneficiaries or children,~~  
2 ~~or~~

3 ~~(ii) Making provision for the payment of any other~~  
4 ~~benefits to or for its members,~~

5 ~~whether or not the amount of the benefits is fixed or~~  
6 ~~rests in the discretion of the society, its officers,~~  
7 ~~or any other person or persons; and the fund from~~  
8 ~~which the payment of the benefits shall be defrayed is~~  
9 ~~derived from assessments or dues collected from its~~  
10 ~~members, and the payment of death benefits is made to~~  
11 ~~the families including reciprocal beneficiaries,~~  
12 ~~heirs, blood relatives, or persons named by its~~  
13 ~~members as their beneficiaries; or~~

14 ~~(B) Organized and carried on for any purpose, which:~~

15 ~~(i) Regularly requires money to be paid to it by its~~  
16 ~~members, whether the money be in the form of~~  
17 ~~dues, subscriptions, receipts, contributions,~~  
18 ~~assessments or otherwise, and~~

19 ~~(ii) Provides for the payment of any benefit or~~  
20 ~~benefits or the payment of any money or the~~  
21 ~~delivery of anything of value to its members or~~  
22 ~~their relatives including reciprocal~~



1 ~~beneficiaries, or to any person or persons named~~  
2 ~~by its members as their beneficiaries, or to any~~  
3 ~~class of persons which includes or may include~~  
4 ~~its members,~~

5 ~~whether or not the amount or value of the benefit,~~  
6 ~~benefits, money, or thing of value is fixed, or rests~~  
7 ~~in the discretion of the society, its officers, or any~~  
8 ~~other person or persons; or~~

9 ~~(C) Organized and carried on for any purpose, whose~~  
10 ~~requirements and provisions although not identical~~  
11 ~~with, are determined by the commissioner to be~~  
12 ~~substantially similar to, those enumerated in~~  
13 ~~subparagraphs (A) and (B).]~~

14 providing health and medical insurance or making  
15 provision for other benefits; or

16 (2) Organized and carried on for the primary benefit of  
17 its members and not for profit for any purpose, whose  
18 requirements and provisions, although not identical  
19 with, are determined by the commissioner to be  
20 substantially similar to those enumerated in paragraph

21 (1).



1 Participating in a prepaid legal service plan subject to chapter  
 2 488 shall not in itself make a corporation, unincorporated  
 3 association, society, or entity a mutual benefit society and  
 4 subject to this article.

5 "Nonparticipating provider" means a licensed or certified  
 6 health care provider who has not entered into an agreement with  
 7 a mutual benefit society or a managed care plan to provide  
 8 services, benefits, or supplies to plan members."

9 SECTION 4. Statutory material to be repealed is bracketed  
 10 and stricken. New statutory material is underscored.

11 SECTION 5. This Act shall take effect upon its approval.

12

INTRODUCED BY: 

JAN 24 2006

HB 2583

**Report Title:**

Mutual Benefit Societies; Nonparticipating Providers; Payment

**Description:**

Requires mutual benefit societies to pay for a reasonable portion of the reasonable charge of nonparticipating providers under its health insurance coverage plans.

