

STAND. COM. REP. NO. 1223-06

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 2917
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 2917, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURANCE RATE REGULATION,"

begs leave to report as follows:

The purpose of this bill is to ensure that health insurance premiums are not excessive, inadequate, or unfairly discriminatory, by extending the sunset date of the health insurance rate regulation law in article 14F of chapter 431, Hawaii Revised Statutes (HRS), four years, to July 1, 2010.

The Insurance Commissioner of the Department of Commerce and Consumer Affairs, Hawaii Chapter American Physical Therapy Association, and Kokua Council supported the bill. Kaiser Permanente opposed the bill. Benefit Plan Consultants commented on the bill.

Your Committee also received testimony on a proposed H.D. 2 that was circulated by your Committee. The Hawaii State Teachers Association, Hawaii Chapter American Physical Therapy Association, and Summerlin Life & Health Insurance Company opposed the proposed bill. The Insurance Commissioner commented.

Your Committee has amended this bill by adopting the proposed H.D. 2 and amendments suggested by the Insurance Commissioner. The amended bill changes article 14F, HRS, by:

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- (1) Providing that rates must be reasonable in relation to "the costs of" the benefits provided;
- (2) Requiring a rate filing to be accompanied by supporting information;
- (3) Providing that supporting and supplementary rating information that health insurance plans (plans) file with the Commissioner along with proposed rates, is confidential, proprietary information not subject to public inspection;
- (4) Reducing from 90 to 30 days, the waiting period after which the rate becomes effective unless disapproved by the Commissioner, and increasing from 15 to 30 days the permissible extension of the period;
- (5) Providing that certain plans, and plans with rates based totally or in part on the individual group's claim experience must submit descriptions of rate methodology sufficient to allow determination of costs plus a reasonable rate of return and must make available upon request, complete supporting and supplementary rating information;
- (6) Specifying that the Commissioner must send a plan notice of rate disapproval within the 30-day waiting period, or any 30-day extension of the waiting period;
- (7) Requiring the Commissioner to specify the actuarial, statutory, and regulatory basis for disapproval of a rate, including a detailed explanation of the application of these that resulted in disapproval;
- (8) Providing that if a plan has no legally effective rates because of a disapproval, the Commissioner must establish interim rates:
 - (A) Within ten days of disapproval;
 - (B) That are sufficient to protect plan and enrollee interests, assure plan solvency, health care delivery, and prevent impairment of enrollee benefits; and



- (C) That are no less than the median between the existing rate and the disapproved rate;
- (9) Allowing the Commissioner, when there is a difference between approved and interim rates, to allow a plan to exact a surcharge on premiums or order the difference to be applied to stabilize future rates or be refunded to current plan enrollees;
- (10) Requiring the Commissioner, when challenging an effective rate, to include in the notice of hearing the specific factual and legal grounds for the Commissioner's challenge, and issue a notice of disapproval of the rate within 30 days of the hearing; and
- (11) Specifying that the persons allowed to challenge any effective rate are "enrollees of a managed care plan" and "organizations that purchase health insurance from a managed care plan", and that the challenger bears the burden of proof of showing the rate does not comply with article 14F, Hawaii Revised Statutes.

Your Committee finds that these amendments will reduce the burden of rate regulation on plans and their enrollees by streamlining the rate disapproval process and making regulation more predictable and transparent.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2917, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 2917, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



