

Honolulu, Hawaii

Ag-17, 2006

RE: S.B. No. 2917
H.D. 3

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 2917, H.D. 2, 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 among other things:

- (1) Stipulating that rates must be reasonable in relation to the costs of the benefits provided;
- (2) Requiring rates to be established in accordance with actuarial principles, based on reasonable assumptions, and supported by adequate supporting and supplementary rating information;
- (3) Specifying that except for supporting supplementary rating information, rates are open to public inspection upon filing with the Insurance Commissioner (Commissioner);
- (4) Reducing from 90 to 30 days, the waiting period for a rate to become effective and increasing from 15 to 30 days the permissible extension of the period;



- (5) Requiring the Commissioner to provide notice of disapproval within the applicable 30-day period or 30-day extension;
- (6) Exempting from the requirements of rate filing, third party administrator services, prepaid dental and vision insurance, and disability insurers;
- (7) Requiring managed care plans with rates based totally or in part on the individual group's claims experience, to submit descriptions of the methodology used in creating rates and every proposed modification;
- (8) Providing that if a plan has no effective date because of a disapproval, the Commissioner must establish an interim rate within 10 days following disapproval of a filing;
- (9) Allowing the Commissioner, when there is a difference between approved and interim rates, 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 state in the notice of hearing the specific factual and legal grounds to support the Commissioner's finding of noncompliance, and issue a notice of disapproval of the rate within 30 days of the hearing;
- (11) Specifying that 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 the challenger bears the burden of proof of showing the rate does not comply with article 14F, Hawaii Revised Statutes; and
- (12) Extending the sunset date of the Rate Regulation Law to July 1, 2010.

The Department of Commerce and Consumer Affairs supported this measure in part. The Hawaii State Teachers Association, Summerlin Life and Health Insurance Company, Kaiser Permanente, and Benefit Plan Consultants (HI), Inc., opposed this measure. The Hawaii Medical Service Association offered comments.

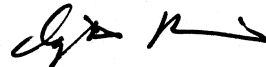


Your Committee has amended this bill by:

- (1) Restoring current statutory language enabling the Commissioner to request additional information necessary to make a determination of whether a filing meets the requirements of the statute;
- (2) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2917, H.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2917, H.D. 3.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



DWIGHT TAKAMINE, Chair



