

STAND. COM. REP. NO. 1261

Honolulu, Hawaii

March 16, 2007

RE: S.B. No. 12  
S.D. 2  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Sir:

Your Committee on Health, to which was referred S.B. No. 12,  
S.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 promote fair and equitable  
health insurance rates by:

- (1) Prohibiting health insurance rates that are excessive,  
inadequate, or unfairly discriminatory; and
- (2) Requiring health care insurers to submit rate filings  
for approval by the Insurance Commissioner  
(Commissioner).

The Hawaii State Teachers Association, ILWU Local 142, Hawaii  
Association of Realtors, and several concerned individuals  
supported this bill. The Kokua Council supported this measure  
with amendments. The Hawaii Government Employees Association  
supported the intent of this bill. The Department of Commerce and  
Consumer Affairs, Hawaii Medical Services Association, and Kaiser  
Permanente opposed this measure.

SB12 HD1 HSCR HLT HMS 2007-3137



Your Committee has amended this bill by, among other things:

- (1) Removing provisions that require rates to be in accordance with actuarial principles and supported by adequate rating information;
- (2) Requiring managed care plans (MPC) to provide the Commissioner with supporting information and supplementary rating information necessary to calculate the investment income and accuracy of loss reserves upon which proposed rate filings are based;
- (3) Allowing the Commissioner a maximum of 105 days for the consideration of a MPC's filing;
- (4) Deleting provisions that require the Commissioner to send written notice of disapproval of a rate filing to a MPC within 30 days;
- (5) Requiring all MPCs to file initial rates within 30 days of this law taking effect and allowing the initial rates to remain in effect until disapproved by the Commissioner within a reasonable amount of time;
- (6) Removing provisions exempting third party administrative services and prepaid dental and vision insurance offered by the MPCs and disability insurers;
- (7) Requiring MPCs whose current net worth exceed 30 percent of its annual total expenses to reimburse the excess funds to subscribers, enrollees, or customers;
- (8) Requiring that plan revisions that affect rates shall not be used unless approved by the Commissioner;
- (9) Removing provisions requiring the Commissioner to specify in a written notice of disapproval to the MPC the actuarial, statutory, and regulatory basis for disapproval, including a detailed explanation of the application that resulted in the disapproval;




- (10) Deleting provisions requiring the Commissioner to specify interim rates of the MPC that are no less than the median between the existing rate and the disapproved rate and once a rate is approved, allowing the MPC to exact a surcharge on premiums retroactive to the time when the interim rate was first imposed;
- (11) Requiring a MPC to charge the lower of their established rates or the filed rates during a time when the Commissioner's disapproval of a filing is being challenged;
- (12) Deleting requirements for the Commissioner to specify in a written notice, the specific, factual, and legal grounds to support findings of a MPC being noncompliant;
- (13) Deleting the requirement that the Commissioner provide written notice of a filing's noncompliance within 30 days after a hearing;
- (14) Authorizing the Commissioner to order that a portion of a MPC's premiums be placed in an escrow account during a contested case hearing on rates;
- (15) Removing provisions placing the burden of proof on the aggrieved party that a MPC's filing failed to meet rate making requirements;
- (16) Requiring the Commissioner to hold a hearing within 30 days after receipt of a MPC's request for a hearing challenging a Commissioner's order and provide not less than seven working days written notice of the hearing time and location;
- (17) Removing the general excise tax exemption from nonprofit MPCs that fail to provide reimbursements when current net worth exceeds 30 percent of its annual total expenses;
- (18) Changing the effective date to July 1, 2007; and
- (19) Making technical, nonsubstantive changes for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 12, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 12, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

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



---

JOSHUA B. GREEN, M.D., Chair



