

Honolulu, Hawaii

April 27, 2007

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

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007.  
State of Hawaii

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

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 12, S.D. 2, H.D. 2, entitled:

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

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to ensure fair pricing methodologies in the health insurance market by:

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



Your Committee on Conference amended this measure by:

- (1) Removing language that clarified that "managed care plan" shall not include any health plan established or funded by any federal, state, or county government;
- (2) Including language that requires every managed care plan to file in triplicate with the Insurance Commissioner, every rate, charge, classification, schedule, practice, or rule and every modification of any of the foregoing;
- (3) Requiring the Insurance Commissioner to establish rules to ensure that confidential and proprietary information is protected and shall not be subject to public inspection;
- (4) Clarifying that the rates shall be established in accordance with actuarial principles, based on reasonable assumptions, and supported by adequate supporting and supplementary rating information;
- (5) Amending the filing waiting period to sixty days and the extension period to fifteen days;
- (6) Adding language authorizing the Insurance Commissioner to "make the following rate effective when filed: any special filing with respect to any class of health insurance, subdivision, or combination thereof that is subject to individual risk premium modification and has been agreed to under a formal or informal bid process";
- (7) Adding language that provides that rate filings shall not apply to third party administrator services, prepaid dental insurance offered by managed care plans, prepaid vision insurance offered by managed care plans, and disability insurers licensed under chapter 431;
- (8) Requiring the Insurance Commissioner to ". . . specify interim rates sufficient to protect the interests of the managed care plan and its enrollees, ensure the solvency of the managed care plan, maintain the plan's health care delivery, and prevent any impairment of enrollees' health care benefits. When a new rate becomes legally effective and the new rate is higher than the interim rate, the commissioner shall allow the managed care plan to retroactively adjust the premiums to the time when the interim rate was first imposed. If the new rate is lower



than the interim rate, the commissioner may order that the difference be applied to stabilize future rates or be refunded to current enrollees of the managed care plan";

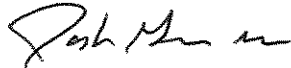
- (9) Changing the effective date to January 1, 2008; and
- (10) Making technical, nonsubstantive changes for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 12, S.D. 2, H.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 12, S.D. 2, H.D. 2, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE HOUSE

ON THE PART OF THE SENATE



JOSHUA B. GREEN, M.D., Co-Chair



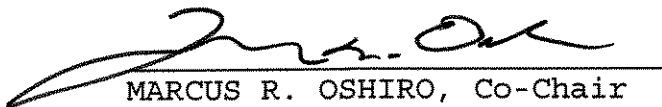
DAVID Y. IGE, Chair



ROBERT N. HERKES, Co-Chair



BRIAN T. TANIGUCHI, Co-Chair



MARCUS R. OSHIRO, Co-Chair



