

STAND. COM. REP. NO.

1029

Honolulu, Hawaii

MAR 27 2009

RE: H.B. No. 690
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Madam:

Your Committees on Health and Labor, to which was referred
H.B. No. 690, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

beg leave to report as follows:

The purpose of this measure is to expand access to health insurance by requiring insurers to offer certain part-time employees the same group health care coverage offered to their co-workers who are regular employees, without the employer having to pay any portion of the premium.

Your Committees received testimony in support of this measure with amendments from the Hawaii Medical Service Association. Testimony in support of this measure with reservations was submitted by the Department of Commerce and Consumer Affairs and Kaiser Permanente. Comments on this measure were submitted by the Health Association of Health Plans and The Chamber of Commerce of Hawaii.

Written testimony presented to your Committees may be reviewed on the Legislature's website.

Your Committees find that it is important to reduce the number of uninsured workers in Hawaii while minimizing the impact on employers. However, there are concerns that allowing part-time employees the option of purchasing coverage will produce adverse selection in which the covered group of voluntary participants

2009-1910 SSCR SMA.doc



will mostly include those who use more health care. This is because many voluntary participants may choose not to purchase health coverage unless they actually need health care services. The premiums for this pool of voluntary participants are therefore likely to be higher than for mandatory pools with a more balanced mix of both healthy participants who use fewer health services and the less healthy who use more services.

Your Committees have amended this measure by:

- (1) Authorizing group health insurers to limit periods of enrollment for part-time employees to a minimum of thirty calendar days; provided that:
 - (A) Part-time employees who experience a qualifying event shall enroll with a group health insurer within thirty days of the qualifying event; and
 - (B) Group health insurers shall be allowed to impose a one-year waiting period against part-time employees who terminate coverage for any reason. If a part-time employee terminates coverage and a one-year waiting period is imposed against the employee, a group health insurer need not reenroll the employee until the period of enrollment following the one-year waiting period; and
- (2) Inserting the definition of "qualifying event" to mean the date on which the part-time employee has been continuously employed by a single employer for a period of eighteen months.

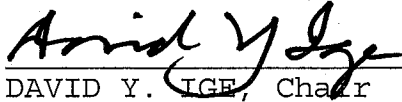
As affirmed by the records of votes of the members of your Committees on Health and Labor that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 690, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 690, H.D. 2, S.D. 1, and be referred to the Committee on Commerce and Consumer Protection.



Respectfully submitted on
behalf of the members of the
Committees on Health and Labor,



DWIGHT Y. TAKAMINE, Chair



DAVID Y. IGE, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

Record of Votes
Committee on Health
HTH

Bill / Resolution No.:*	Committee Referral:	Date:
HB 696 HD 2	HTH / LBR, CPN	3/23/9

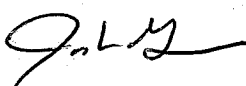
The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
GREEN, M.D., Josh (VC)	✓			
BAKER, Rosalyn H.	✓			
ESPERO, Will	✓			
NISHIHARA, Clarence K.	✓			
HEMMINGS, Fred				✓
TOTAL	5	0	0	1

Recommendation: Adopted Not Adopted

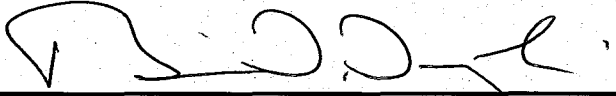
Chair's or Designee's Signature: 

Distribution: Original Yellow Pink Goldenrod
 File with Committee Report Clerk's Office Drafting Agency Committee File Copy

*Only one measure per Record of Votes

The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Labor
LBR

Bill / Resolution No.:*	Committee Referral:	Date:		
HB090 HD2	HTH/LOR, CPN	3-24-09		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TAKAMINE, Dwight Y. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
BUNDA, Robert				✓
HEE, Clayton				✓
SLOM, Sam		✓		
TOTAL	2	1	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes

A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1 SECTION 1. Chapter 431, Hawaii Revised Statutes, is
2 amended by adding a new section to article 10A to be
3 appropriately designated and to read as follows:

4 "§431:10A- Group health care coverage; part-time
5 employees. (a) An insurer that provides health care coverage
6 in the state to the regular employees of any group or
7 association shall offer the same coverage to part-time employees
8 of that group or association; provided that per cent of
9 the part-time employees agree to purchase the coverage. The
10 group or association shall not be required by this section to
11 pay any part of the premium for that coverage.

12 (b) A group health insurer may limit periods of enrollment
13 for part-time employees to a minimum of thirty calendar days;
14 provided that:

15 (1) Part-time employees who experience a qualifying event
16 shall enroll with a group health insurer within thirty
17 days of the qualifying event; and

1 (2) Group health insurers shall be allowed to impose a
2 one-year waiting period against part-time employees
3 who terminate coverage for any reason. If a part-time
4 employee terminates coverage and a one-year waiting
5 period is imposed against the employee, a group health
6 insurer need not reenroll the employee until the
7 period of enrollment following the one-year waiting
8 period.

9 For the purposes of this section:

10 "Group or association" shall not include any state or
11 political subdivision of any state, or instrumentality thereof.

12 "Health care" includes hospitalization, surgery, medical or
13 nursing care, drugs, or restorative appliances.

14 "Part-time employee" means a person employed by a single
15 employer for at least _____, but less than _____ hours per
16 week and for a continuous period of at least _____.

17 "Regular employee" means a person employed by a single
18 employer for at least twenty hours per week.

19 "Qualifying event" means the date on which the part-time
20 employee has been continuously employed by a single employer for
21 a period of eighteen months."

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

4 "§432:1- Group health care coverage; part-time
5 employees. (a) A mutual benefit society in the state whose
6 hospital and medical service corporation contract provides
7 health care coverage for the regular employees of any group or
8 association shall offer the same coverage to part-time employees
9 of that group or association; provided that per cent of
10 the part-time employees agree to purchase the coverage. The
11 group or association shall not be required by this section to
12 pay any part of the premium for that coverage.

13 (b) A group health insurer may limit periods of enrollment
14 for part-time employees to a minimum of thirty calendar days;
15 provided that:

16 (1) Part-time employees who experience a qualifying event
17 shall enroll with a group health insurer within thirty
18 days of the qualifying event; and

19 (2) Group health insurers shall be allowed to impose a
20 one-year waiting period against part-time employees
21 who terminate coverage for any reason. If a part-time
22 employee terminates coverage and a one-year waiting

1 period is imposed against the employee, a group health
2 insurer need not reenroll the employee until the
3 period of enrollment following the one-year waiting
4 period.

5 For the purposes of this section:

6 "Group or association" shall not include any state or
7 political subdivision of any state, or instrumentality thereof.

8 "Health care" includes hospitalization, surgery, medical or
9 nursing care, drugs, or restorative appliances.

10 "Part-time employee" means a person employed by a single
11 employer for at least , but less than hours per
12 week and for a continuous period of at least .

13 "Regular employee" means a person employed by a single
14 employer for at least twenty hours per week.

15 "Qualifying event" means the date on which the part-time
16 employee has been continuously employed by a single employer for
17 a period of eighteen months."

18 SECTION 3. Chapter 432D, Hawaii Revised Statutes, is
19 amended by adding a new section to be appropriately designated
20 and to read as follows:

21 "§432D- Group health care coverage; part-time employees.

22 (a) A health maintenance organization that issues a policy,

1 contract, plan, or agreement in the state that provides health
2 care coverage for the regular employees of any group or
3 association shall offer the same coverage to part-time employees
4 of that group or association; provided that _____ per cent of
5 the part-time employees agree to purchase the coverage. The
6 group or association shall not be required by this section to
7 pay any part of the premium for that coverage.

8 (b) A group health insurer may limit periods of enrollment
9 for part-time employees to a minimum of thirty calendar days;
10 provided that:

11 (1) Part-time employees who experience a qualifying event
12 shall enroll with a group health insurer within thirty
13 days of the qualifying event; and

14 (2) Group health insurers shall be allowed to impose a
15 one-year waiting period against part-time employees
16 who terminate coverage for any reason. If a part-time
17 employee terminates coverage and a one-year waiting
18 period is imposed against the employee, a group health
19 insurer need not reenroll the employee until the
20 period of enrollment following the one-year waiting
21 period.

22 For the purposes of this section:

1 "Group or association" shall not include any state or
2 political subdivision of any state, or instrumentality thereof.

3 "Health care" includes hospitalization, surgery, medical or
4 nursing care, drugs, or restorative appliances.

5 "Part-time employee" means a person employed by a single
6 employer for at least , but less than hours per
7 week and for a continuous period of at least .

8 "Regular employee" means a person employed by a single
9 employer for at least twenty hours per week.

10 "Qualifying event" means the date on which the part-time
11 employee has been continuously employed by a single employer for
12 a period of eighteen months."

13 SECTION 4. (a) The insurance commissioner shall prepare a
14 report of the costs and benefits of this Act. The report shall
15 be prepared with the cooperation and assistance of the
16 disability compensation division of the department of labor and
17 industrial relations. The report shall include:

18 (1) An evaluation of the success of this Act in providing
19 part-time employees with access to health care
20 coverage;

21 (2) An evaluation of the costs to employees, employers,
22 and insurers of providing that coverage;

1 (3) Any recommendations concerning this Act; and
2 (4) Any other information necessary for a reasonable
3 assessment of the costs and benefits of this Act to be
4 made, and to allow health care coverage to be made
5 available to part-time employees at the lowest
6 possible cost.

7 (b) Each insurer subject to this Act shall submit, at the
8 time and in the form prescribed by the insurance commissioner,
9 the information deemed necessary by the insurance commissioner
10 to complete the report required by this section. In obtaining
11 this information, the insurance commissioner shall seek to
12 minimize an insurer's cost of compliance.

13 (c) The insurance commissioner shall report its findings,
14 recommendations, and any proposed legislation to the legislature
15 no later than twenty days prior to the convening of the regular
16 session of 2011.

17 SECTION 5. New statutory material is underscored.

18 SECTION 6. This Act shall take effect on July 1, 2020, and
19 shall be repealed on July 1, 2011.

Report Title:

Group Health Insurers; Small Business; Part-time Employees

Description:

Requires insurers that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working a certain amount of hours per week and for a minimum length of time, if a minimum percentage of the part-time employees agree to purchase coverage. Requires the insurance commissioner to submit a cost-benefit report to the legislature. Effective July 1, 2020. (SD1)



LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Thursday, April 2, 2009
10:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 690, H.D. 2, S.D. 1 – RELATING TO
INSURANCE.**

TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:

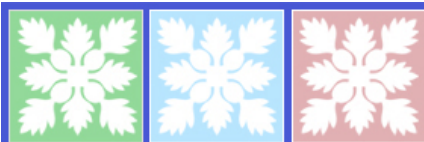
My name is J.P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department supports the intent of H.B. 690, H.D. 2, S.D. 1 which
requires insurers to offer health care coverage to part-time employees if their co-
workers also have that coverage.

A few years ago the Hawaii Uninsured Project found that a significant number of
the uninsured were part time workers. It is not surprising that we have a large number
of part-time workers here in Hawaii because of the tourist industry and the Prepaid
Health Care Act. Therefore, we generally support this kind of effort to expand coverage
to persons who may now be uninsured. However, the bill currently does not specify the
minimum number of hours that need to be worked to qualify for the program nor does it
specify the percentage of part-time workers that would need to participate to trigger
coverage. Without that information, it is difficult to reach a definitive conclusion about
the merits of the bill.

In addition, the Committee should be aware that one unintended consequence with this kind of initiative may be that sicker people will take the health insurance and healthier people will not and the result may be a higher premium rate.

The Committee may want to consider the benefits of a longer trial period for this pilot program. The shorter the trial period, the less reliable the study of the experience will be.

We thank the Committee for the opportunity to present testimony on this matter.



Hawaii Association of Health Plans

April 2, 2009

The Honorable Rosalyn Baker, Chair
The Honorable David Ige, Vice Chair

Senate Committee on Commerce and Consumer Protection

Re: HB 690 HD2 SD1 – Relating to Insurance

Dear Chair Baker, Vice Chair Ige and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare
Hawaii Medical Assurance Association
HMSA
Hawaii-Western Management Group, Inc.

MDX Hawai‘i
University Health Alliance
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify on HB 690 HD2 SD1 which would require health plans that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees.

While HAHP supports the intent of making health care coverage available to a population that does not qualify for employer-based health care coverage under the Prepaid Health Care Act, we have concerns with this measure.

Part-time persons present specific financial risk challenges to health plans due to the high likelihood of adverse selection. Health plans always use underwriting guidelines and rating methods designed for this risk to assure long term viability of providing coverage. This bill will not permit the usage of guidelines currently in place at our member organizations that offer such coverage.

We also believe that it is highly likely that this measure, if passed, could lead to higher premiums. Employer group rates may rise as health plans are forced to increase premiums due to this new, adversely self-selected risk pool.

Thank you for the opportunity to offer comments today.

Sincerely,

A handwritten signature in black ink that reads "Rick Jackson". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Rick Jackson
President

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

April 2, 2009

The Honorable Rosalyn Baker, Chair
The Honorable David Ige, Vice Chair
Senate Committee on Commerce and Consumer Protection

Re: HB 690 HD2 SD1 – Relating to Insurance

Dear Chair Baker, Vice Chair Ige and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 690 HD2 SD1. HMSA supports the intent of this measure and appreciates the previous Committees' inclusion of amendments that lessen the effect of adverse selection. We would however request some additions that would assist in further containing these effects.

We would request that the original definition of part-time workers be re-inserted into the measure. The original language defined a part-time employee as one working more than 15 but less than 20 hours per week. This number is currently blanked out throughout the bill. This would be added to page 2, line 15; page 4, line 11 and page 6, line 6.

We would request the removal of the language throughout the measure which refers to a certain percentage of employees having to sign up for coverage prior to it being offered to part-time employees. We believe that this provision will be difficult if not impossible for plans to enforce therefore rendering it ineffective. This language would be removed from page 1, lines 8-9; page 3, lines 9-10 and page 5, lines 4-5.

At a previous hearing the Insurance Commissioner suggested that part-time employees meet a length of service anniversary with the employer before being able to opt for the coverage. Although the 18 month timeframe is included in the "qualifying event" section it would also need to be added to the blanks on page 2, line 16; page 4, line 12 and page 6, line 7.

Additionally we would request an enactment date of January, 2010 to allow plans the time needed to make changes to current contracts. Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal stroke extending to the right.

Jennifer Diesman
Assistant Vice President
Government Relations

Testimony of
Phyllis Dendle
Director of Government Relations

Senate Committee on Commerce and Consumer Protection
The Honorable Rosalyn H. Baker, Chair
The Honorable David Y. Ige, Vice Chair

April 2, 2009
10:00 am
Conference Room 229

HB 690 HD2 SD1 RELATING TO INSURANCE

Chair Baker, and committee members, thank you for this opportunity to provide testimony on HB690 HD2 SD1 which requires health insurance plans to offer the same coverage to part-time employees as provided to full-time employees. The part-time employee would pay for this benefit if they choose to be covered.

Kaiser Permanente Hawaii supports the intent but has serious concerns about this bill.

We appreciate the legislature's efforts to reduce the number of uninsured persons in Hawaii. This bill however has several issues that need to be addressed.

Adverse selection

While the intent of this bill is to minimize the impact on employers it is not without impact. It is up to the part-time employee to decide if they will purchase coverage. Experience tells us that they will choose not to purchase health coverage if they are healthy but will buy it when they need health care services. Currently the employer must provide coverage for all full-time employees. This group includes both the healthy that use few services and the less healthy that use more services which provides some balance. By adding the voluntary part-time purchasers to the group of full-time employees the premiums for the whole group are likely to become higher.

Percent requirement for participation

Previous committees have attempted to reduce the impact of the voluntary purchasers by requiring a minimum percent of part-time employees to sign up in order for the company to participate. This is not workable however, because health plans do not know the total number of employees an employer has at any particular time. If there are multiple health plans offered by the employer will the percentage be calculated based on the total employees or the total number in each plan. It is not clear what will happen to the other part-time participants if the percentage drops below the minimum.

Employer responsibility

For full-time employees it is the employer who provides group coverage by purchasing a product from the health plans. The health plans have no interaction with the individual employees for administrative matters. This bill would permit part-time employees to join their employer's group plan. The only difference between full and part time employees would be that the part-timers would pay the full premium cost.

It is important that the bill make clear that it is the employer's responsibility to manage the coverage of their part-time employees in the same way they manage it for their full-time employees. They will need to monitor the part-time employee's work time just as they must do with full-time employees to determine if they qualify and continue to qualify for coverage. They will need to manage enrollment in and withdrawal from the plan, collection of the employee's portion of the premium, and the transmittal of payment to the health plan. As written, the bill would permit employers to abdicate all responsibility for part-time employees. I don't know what section of the law would have to be amended to address the responsibility of the employer.

Qualifying for Individual or family coverage

The bill creates a definition of part-time employee based on the number of hours worked per week over a period of time. If the part-time employee's hours fluctuate will they still allowed to participate in the group health plan?

Will the coverage required under this bill be just for the part-time employee or will the employer make available family coverage to the part-time employee? If so then the definition of qualifying event needs to include loss of spouses' coverage, marriage, and birth of a child.

Enrollment and the Effective date

One of the most effective ways to implement this would be for the employers to offer their part-time employees coverage during the same open enrollment period as their full-time employees. We suggest that the bill permit part-time employees to enroll during their employer's open enrollment beginning January 1, 2010 but no later than December 31, 2010 and at any time after the original open enrollment upon a qualifying event.

As written the health plan would need to allow thirty days of enrollment after the effective date of the bill. This could be interpreted as 30 days for all part-time employees working for any company to contact the health plan to enroll for coverage with no requirement that the employer coordinate the coverage with their group plan.

Report and repeal

If enrollment is permitted as described the date of the requested report and the repeal date will need to be adjusted.

This bill is well intentioned in wanting to provide more opportunity for uninsured people to get comprehensive insurance however these are issues that need to be addressed before it can be implemented.

Thank you for your consideration.