

STAND. COM. REP. NO.

2258

Honolulu, Hawaii

FEB 12 2010

RE: S.B. No. 2271  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Health, to which was referred S.B. No. 2271  
entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURANCE PREMIUMS,"

begs leave to report as follows:

The purpose of this measure is to set a ceiling on the amount  
of insurance premiums applied toward administrative expenses and  
to require insurers to annually report how health care premiums  
are spent with an emphasis on administrative and medical expenses.

Specifically, the measure requires that:

- (1) Eighty percent of health insurance premiums collected  
from individual and small employer insureds; and
- (2) Eighty-five percent of health insurance premiums  
collected from large employer insureds;

be expended on medical expenses. If the insurer fails to meet  
these threshold percentage expenditures, the insurer is required  
to issue a dividend or credit to policyholders.

Your Committee received testimony in support of this measure  
from the Hawaii Medical Association and the Arc of Kona. Your  
Committee received testimony in opposition to this measure from  
the Hawaii Association of Health Plans. Testimony in support of  
the intent of this measure with amendments was submitted by the  
Department of Commerce and Consumer Affairs, the Hawaii Medical



Service Association, and the Healthcare Committee for Faith Action for Community Equity. Written testimony presented to the Committee may be reviewed on the Legislature's website.

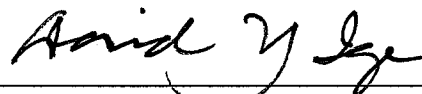
Your Committee finds that having a clear understanding of how health care premiums are allocated by health insurance companies, especially in terms of administrative costs, helps consumers to make informed decisions when choosing insurance companies. Your Committee further finds that the types and extent of information required by consumers and by the Insurance Division of the Department of Commerce and Consumer Protection is sufficiently different to warrant both an annual premium transparency report to the Insurance Commissioner and a Health Data Clearinghouse for public dissemination.

Your Committee has amended this measure by:

- (1) Making the percentage of premiums spent on administrative expenses consistent with similar restrictions currently enforced on mutual benefit societies by lowering them to sixty-five percent;
- (2) Adding a new chapter in the Hawaii Revised Statutes establishing a medical data clearinghouse; and
- (3) Inserting an effective date of July 1, 2050, to encourage further conversation on this measure.

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. 2271, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2271, S.D. 1, and be referred to the Committee on Commerce and Consumer Protection.

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

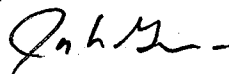


DAVID Y. IGE, Chair



The Senate  
 Twenty-Fifth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Health**  
**HTH**

Bill / Resolution No.:* <b>SB 2271</b>	Committee Referral: <b>HTH, CPN</b>	Date: <b>02-08-10</b>		
<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
IGE, David Y. (C)	✓			
GREEN, M.D., Josh (VC)		✓		
BAKER, Rosalyn H.	✓			
ESPERO, Will	✓			
NISHIHARA, Clarence K.	✓			
HEMMINGS, Fred			✓	
<b>TOTAL</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>0</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

**\*Only one measure per Record of Votes**