



GOV. MSG. NO. **1357**

EXECUTIVE CHAMBERS  
HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

July 06, 2012

The Honorable Shan Tsutsui, President  
and Members of the Senate  
Twenty-Sixth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Calvin Say, Speaker  
and Members of the House  
Twenty-Sixth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Tsutsui, Speaker Say and Members of the Legislature:

This is to inform you that on July 06, 2012, the following bill was signed into law:

SB1276 SD2 HD2 CD1

RELATING TO INSURANCE.  
**Act 254 (12)**

*Sincerely,*  
A handwritten signature in black ink that reads "Neil Abercrombie". The word "Sincerely," is written above the signature.

NEIL ABERCROMBIE  
Governor, State of Hawaii

RECEIVED  
SENATE  
OFFICE OF THE PRESIDENT

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Approved by the Governor

on JUL 6 2012

THE SENATE  
TWENTY-SIXTH LEGISLATURE, 2011  
STATE OF HAWAII

ACT 254  
S.B. NO. 1276  
S.D. 2  
H.D. 2  
C.D. 1

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# A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1           SECTION 1. The legislature finds that the federal Patient  
2 Protection and Affordable Care Act (P.L. 111-148), as amended,  
3 permits states to establish a basic health program to provide  
4 health benefits to certain low-income individuals who do not  
5 qualify for medicaid and who would otherwise be eligible to  
6 purchase health insurance through a health insurance exchange.  
7 Under the basic health program, states would receive federal  
8 subsidies to finance a portion of the cost of providing basic  
9 health insurance benefits for these individuals.

10           The legislature further finds that, although the intent of  
11 the program would be to expand access to health care, there  
12 remains a number of unknown factors that may significantly  
13 affect the program's ongoing cost to the State and its ability  
14 to successfully implement the program. Although federal  
15 subsidies are promised to support elements of the basic health  
16 program, the amount of federal support available is not clear,  
17 nor is it firmly established that the federal government is  
18 committed to continuing those subsidies at sustained levels for



1 the long term. To compound the problem further, the federal  
2 agency designated to administer the basic health program, to  
3 date, has issued no regulations or detailed guidance to the  
4 states regarding the operation or financing of many aspects of  
5 the basic health program called for in the Affordable Care Act.

6 The implementation of a basic health program in Hawaii may  
7 present opportunities for the State to help provide health  
8 insurance for low-income individuals, but it also may present  
9 significant financial risks and costs to the State both short-  
10 term and long-term. The legislature finds that several other  
11 states have already undertaken studies of the feasibility of  
12 implementing a basic health program, and they have reached  
13 inconclusive results due to the many unknown factors involved in  
14 operating such a program. The legislature recognizes that the  
15 creation of a basic health program is an option, not a mandate,  
16 for the State. The legislature also recognizes that the  
17 insurance commissioner is preparing to initiate an actuarial  
18 analysis on the impacts of a basic health program in Hawaii.  
19 Accordingly, the legislature finds that the decision to create a  
20 basic health program in Hawaii is a significant policy decision  
21 that first deserves careful analysis of the financial costs and  
22 benefits to Hawaii, the effects of the program on other agencies



1 and organizations in the State, including the Hawaii health  
2 connector, and the delivery of health care as a whole.

3 The purpose of this Act is to:

- 4 (1) Require legislative authorization for the  
5 establishment of a basic health program, pursuant to  
6 the Patient Protection and Affordable Care Act; and  
7 (2) Require the insurance division of the department of  
8 commerce and consumer affairs to undertake a  
9 feasibility study of establishing a basic health  
10 program in Hawaii.

11 SECTION 2. Any department, agency, officer, or other  
12 entity of the State, administratively or otherwise, seeking to  
13 establish a basic health program, as contemplated by section  
14 1331 of the federal Patient Protection and Affordable Care Act  
15 (P.L. 111-148), as amended, shall submit proposed legislation to  
16 the speaker of the house of representatives and the president of  
17 the senate no later than twenty days prior to the convening of a  
18 regular session of the legislature, for introduction and  
19 consideration by the legislature, that authorizes or directs the  
20 establishment and operation of a basic health program. A report  
21 on the feasibility, plan for sustainability, and benefits of



1 establishing a basic health plan shall accompany the requested  
2 legislation.

3 SECTION 3. (a) The insurance division of the department  
4 of commerce and consumer affairs shall prepare a comprehensive  
5 study on the feasibility of establishing a basic health program  
6 in Hawaii that includes but is not limited to an analysis of  
7 the:

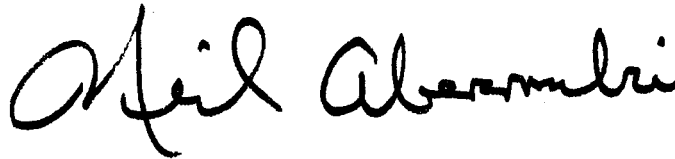
- 8 (1) Short-term and long-term financial costs and benefits  
9 to the State;
- 10 (2) Immediate and ongoing availability of federal funds to  
11 support the program and requirements for long-term  
12 sustainability;
- 13 (3) Options for selecting providers for the program;
- 14 (4) Effect of the program on relevant existing health care  
15 providers and health care organizations, programs, and  
16 agencies, including the Hawaii health connector;
- 17 (5) Potential benefits to enrollees of the program  
18 compared to the potential drawbacks to these same  
19 individuals if a basic health program is not offered;  
20 and
- 21 (6) Any other considerations that may impact the overall  
22 delivery of health care in Hawaii.



1 (b) The insurance division of the department of commerce  
2 and consumer affairs shall submit a report of its findings and  
3 recommendations including any proposed legislation to the  
4 speaker of the house of representatives and the president of the  
5 senate no later than twenty days prior to the convening of the  
6 regular session of 2013.

7 SECTION 4. This Act shall take effect upon its approval.

APPROVED this 6 day of JUL, 2012



GOVERNOR OF THE STATE OF HAWAII

