

Honolulu, Hawaii

MAR 25 2013

RE: H.B. No. 848
H.D. 2
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 848, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the definition of "small employer" in the Insurance Code for consistency with federal laws; and
- (2) Apply licensing requirements for insurance producers to health maintenance organizations and mutual benefit societies.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and Hawaii Medical Service Association. Your Committee received testimony in opposition to this measure from the Hawai'i Primary Care Association and UHA Health Insurance. Your Committee received comments on this measure from the Hawai'i Health Connector Board of Directors.

Your Committee finds that the federal Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) requires each state to define the size of a "small business" as one that includes either one to fifty employees or one to one hundred employees. The default definition for "small business" under the



Affordable Care Act is one hundred or fewer employees. States are allowed to opt out of the federal definition of "small business" until January 1, 2016, when the default definition becomes nondiscretionary.

Your Committee further finds that small employers will be able to buy health insurance from the Hawaii health insurance exchange, known as the Hawaii Health Connector, starting in 2014. This measure reaffirms the current definition of "small employer" in the Hawaii Revised Statutes as an employer who employs between one and fifty employees. This will allow small employers an opportunity to adjust to requirements of the Affordable Care Act prior to January 1, 2016. This measure also ensures that Hawaii's insurance laws are in compliance with relevant federal health insurance laws.

Your Committee also finds that the Affordable Care Act includes or references the Public Health Service Act and the Health Insurance Portability and Accountability Act of 1996. To ensure compliance with relevant federal laws, it is necessary to insert a purpose section in this measure which specifies that the definition of "small employer" in section 431:2-201.5, Hawaii Revised Statutes, applies to the Public Health Service Act, the Health Insurance Portability and Accountability Act of 1996, and all provisions of the Affordable Care Act.

Your Committee additionally finds that the Affordable Care Act also requires states to establish their own standards for provider network adequacy. Currently, there are multiple agencies that apply network adequacy standards to health insurers. Amendments to this measure are therefore necessary to create a uniform network adequacy standard that will be applied to all health insurers doing business in Hawaii. This will assure consumers that health care provider networks and access to care will remain consistent, regardless of the type of insurance plan or program chosen.

Accordingly, your Committee has amended this measure by:

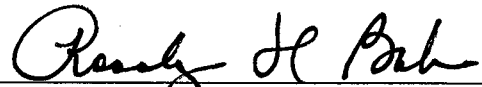
- (1) Establishing a uniform network adequacy standard that requires each managed care plan in the State to demonstrate the adequacy of its provider network to the Insurance Commissioner;



- (2) Requiring the Insurance Commissioner to provide the Hawaii Health Connector with a list of qualified health plans that meet network adequacy standards, as determined by the Commissioner;
- (3) Repealing section 432E-3, Hawaii Revised Statutes, relating to managed care plans and access to services;
- (4) Inserting a purpose section; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 848, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 848, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* HB 848 HD2	Committee Referral: CPN	Date: 3/20/13		
<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
BAKER, Rosalyn H. (C)	✓			
GALUTERIA, Brickwood (VC)	✓			
NISHIHARA, Clarence K.	✓			
SOLOMON, Malama				✓
TANIGUCHI, Brian T.				✓
WAKAI, Glenn	✓			
SLOM, Sam			✓	✓
TOTAL	4		1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> 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