

HB 848, HD2

Measure Title: RELATING TO HEALTH INSURANCE.

Report Title: Health Insurance

Description: For consistency with federal affordable health care law, etc., defines "small employer" in Hawaii insurance code to consist of employers with 50 employees or less; applies producer licensing law requirements to producers selling health maintenance organization and mutual benefit society insurance products. Effective July 1, 2050. (HB848 HD2)

Companion: SB1079

Package: Gov

Current Referral: CPN

Introducer(s): SOUKI (Introduced by request of another party)



NEIL ABERCROMBIE
GOVERNOR

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TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Tuesday, March 19, 2013
9:30 a.m.

TESTIMONY ON HOUSE BILL NO. 848, H.D. 2 – RELATING TO HEALTH INSURANCE.

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

My name is Gordon I. Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). Thank you for hearing this bill. The Department strongly supports this Administration bill, with a requested amendment.

The purpose of this bill is to make Hawaii's insurance laws found in Title 24, Hawaii Revised Statutes ("HRS"), consistent with the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and Patient Protection and Affordable Care Act of 2010 ("PPACA") by: (1) amending the definition of "small employer"; and (2) making the licensing requirements for insurance producers applicable to health maintenance organizations and mutual benefit societies.

The H.D. 2 amended the definition of "small employer" in HRS § 431:2-201.5(b) to apply to an employer with 50 or less employees, similar to the current statutory definition, and contains a defective effective date.

Starting in 2014, small employers will be able to buy health insurance from the health insurance exchange known as the Hawaii Health Connector. PPACA requires

small group and individual health plans to have the ten essential health benefits. Large group plans are exempted. The Department has determined that the essential health benefits exceed the prevalent plan under the Prepaid Health Care Act, HRS chapter 393, in four respects: pediatric dental, pediatric vision, habilitative services and prescription drug coverage. Small group plans will have to buy these additional four benefits as part of their health plan package.

Under PPACA, the definition of small business is 100 employees or fewer. By having the small group definition be 50 employees versus 100 employees, we exempt from this mandate employers who have between 51 and 100 employees. This default becomes nondiscretionary on the part of the state on January 1, 2016.

This bill also applies Hawaii's Producer Licensing Law found in HRS chapter 431, Article 9A, to insurance producers selling health insurance products offered by health maintenance organizations and mutual benefit societies. Under PPACA, starting in 2014, health insurers will offer health insurance to the public through the health insurance exchange known as the Hawaii Health Connector. To protect the public, the Department believes that producers selling health insurance should be licensed in the same way that other insurance producers are licensed. The Department sees no reason to exempt health insurance producers from the general requirement.

The Department respectfully requests the following amendment to section 5 of the bill:

This Act, upon its approval, shall take effect on July 1, 2013; provided that section 1 of this Act shall be repealed on January 1, 2016.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 19, 2013

The Honorable Rosalyn H. Baker, Chair
The Honorable Brickwood Galuteria, Vice Chair

Senate Committee on Commerce and Consumer Protection

Re: HB 848, HD2 – Relating to Health Insurance

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 848, HD2, which amends the Insurance Code to (1) reaffirm the definition of "small employer" as one that hires between one and 50 employees; and (2) applies producer licensure to insurers, health maintenance organizations, and mutual benefit societies. HMSA supports this Bill, but we suggest a clarifying amendment.

The Affordable Care Act (ACA) requires each state to define the size of the small business as including from one to 50 employees, or from one to 100 employees. HB 848, HD2 reaffirms the current State definition of Hawaii's small businesses as including from one to 50 employees. As such, it allows the statute to be in compliance with the Public Health Service Act (PHSA) and the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Since the ACA includes or references the PHSA and HIPAA definition of small employer, we would want to ensure that it is clear that this action also defines "small employer" for all provisions of the ACA. Those provisions go beyond the health insurance exchange and go other elements of the ACA including essential health benefits, actuarial valuation, age rating, risk pools, the 3Rs (risk adjustment, risk corridors, and reinsurance); and the exchange web portal.

We have attached a suggested amendment that addresses that concern.

Thank you for the opportunity to testify in support of this measure. Your consideration of the proposed amendment is appreciated.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

Proposed Amendment to HB 848, HD2

HB 848, HD2 is amended to include a new section as follows:

Section ____ . The Affordable Care Act (ACA) authorizes each state to define "small employer" for purposes of the ACA. The purpose of this measure is to reaffirm the current Section 431:2-2015, HRS, definition of a "small employer" and to ensure that definition of small employer is applicable to the implementation of all provisions of the ACA in Hawaii.

Section 431:2-2015, HRS is applicable to the implementation of the provisions of the Public Health Service Act and the Health Insurance Portability and Accountability Act of 1996. As such, the Legislature finds that this definition of a small employer further applies to the State's implementation of all provisions of the ACA to include, but not be limited to, ACA provisions governing eligibility for the small business exchange; essential health benefits; actuarial valuation; age rating; risk pool designation; risk adjustment, risk corridors, and reinsurance; and the Connector's web portal.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Commerce and Consumer Protection

The Hon. Rosalyn H. Baker, Chair

The Hon. Brickwood Galuteria, Vice Chair

Testimony in Support of HB848 HD2

Relating to Health Insurance

Submitted by Nani Medeiros, Public Affairs and Policy Director

March 19, 2013, 9:15am, Room 229

The Hawai'i Primary Care Association, which represents community health centers in Hawai'i, **opposes** HB848 HD2, Relating to Health Insurance.

An insurance exchange relies on a large number of consumers to minimize the associated risk for all purchasers. Already the State of Hawaii is at a disadvantage in this regard because the Prepaid Healthcare Act covers such a large percentage of working individuals. As the pool of individuals in the exchange shrinks, consumers become more susceptible to risk. This susceptibility simultaneously reduces the consumer's purchasing leverage and enhances the bargaining power of insurers. Expanding the definition of small employers would add to the number of participants in the Hawaii Health Exchange and enhance the purchasing capabilities of consumers.

In the first draft of HB848, small employers were listed as those having 100 employees or less. Under the most recent House Draft, that number was lowered to 50, a figure that does not coincide with federal requirements under the Affordable Care Act or with its companion bill, SB1079.

For these reasons we oppose HB848 HD2 and urge the committee to return to the original language still present in SB1079. We thank you for the opportunity to testify.

HB848

Submitted on: 3/14/2013

Testimony for CPN on Mar 19, 2013 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Howard Lee	UHA Health Insurance	Oppose	No

Comments: Please minimize disruption to market. 50 is adequate to cover many small businesses who already provide coverage for employees under Prepaid. Expanding beyond this is unnecessary in Hawaii and may have unintended consequences of employers reducing coverage for dependents.