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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
TWENTY-SEVENTH LEGISLATURE
Regular Session of 2013

Wednesday, March 27, 2013
4 p.m.

TESTIMONY ON SENATE BILL NO. 1079 – RELATING TO HEALTH INSURANCE.

TO THE HONORABLE ANGUS L.K. MCKELVEY, 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, but respectfully requests that it be amended.

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 amending the definition of "small employer" in section 1 ("PPACA Amendment") and applying the statutory requirements for the licensing of insurance producers to health maintenance organizations and mutual benefit societies in sections 2 and 3 ("Licensing Amendment").

Small employers will be able to buy health insurance from the health insurance exchange known as the Hawaii Health Connector starting in 2014. HRS § 431:2-201.5(b) currently defines "small employer" as an employer who employs between one and no more than 50 employees. Under the PPACA, in 2016 the definition of small

business goes to 100 employees or fewer. The PPACA Amendment conforms the state definition of "small employer" to the PPACA definition.

This bill also applies Hawaii's Producer Licensing Law found in article 9A, chapter 431, HRS, 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, we believe that producers who sell health insurance should be licensed in the same way that other insurance producers are licensed. We see no reason to exempt health insurance producers from the general requirement.

It is our understanding that H.B. No. 848, H.D. 2 ("HB848"), the companion measure of this bill, is proceeding in the Senate and that the Senate will be amending HB848 by maintaining the PPACA Amendment, and we will request the deletion of the Licensing Amendment.

Rather than having duplicate bills proceed through both chambers, we respectfully request this Committee to bifurcate this bill by only including the Licensing Amendment. Accordingly, we request that this Committee amend this bill by deleting the PPACA Amendment in section 1, retaining the Licensing Amendment in sections 2-4, and amending the effective date to take effect on July 1, 2013.

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



The Honorable Angus McKelvey
Chair, Committee on Consumer Protection & Commerce
State Capitol
415 South Beretania, Room 320
Honolulu, Hawai'i 96813

Re: SB 1079 Relating to Health Insurance
Wednesday March 27, 2013, 4:00 pm, Capitol Room 325
Testimony offering comments

Chair McKelvey, and members of the Committee,

My name is Coral Andrews, and I serve as Executive Director of the Hawaii Health Connector (the "Connector").

The Connector Board of Directors supports allowing employers with up to 100 employees access to the Connector's Small Business Health Options Program ("SHOP"). Such access allows, employers with 51 to 100 employees to more efficiently shop and compare for employee health benefits. Our outreach activities have shown employers have expressed interest in using SHOP to obtain greater information regarding their health insurance choices. SHOP allows the employer to offer its employees a wider choice in health plans without burdening the employer with multiple payments, since SHOP will have premium aggregation, where the employer writes one check to the Connector and the Connector will disperse the fees to each health plan insurer.

This bill's counterpart, HB 848 was amended earlier by this Committee to effectively operate as an election by the State to limit the small group market to employers with 1-50 employees. Such an amendment blocks employers with 51 to 100 employees from accessing SHOP and may concentrate the impact of Patient Protection and Affordable Care Act of 2010 ("ACA") reforms on the smallest employers for two years by restricting the risk pool to the smallest employers.

By way of Background, the Connector is Hawai'i's State-based Affordable Health Insurance Exchange under section 1311 of the ACA. Affordable health insurance exchanges offer qualified health plans to qualified individuals and employers through internet websites, and maintain toll-free hot lines, in-person assisters, and navigators to assist qualified individuals and employers in obtaining and utilizing their plans.

Created by Act 205 Session Laws of Hawai'i of 2011, the Connector was founded to meet the State of Hawai'i's obligations under Section 1311 of the ACA and is strictly regulated by federal laws and

regulations. The Connector's website goes live on October 1, 2013 to offer qualified health plans for plan years starting after January 1, 2014. No employer is required to use the Connector's website to purchase health insurance. Thank you for this opportunity to testify on SB1079.