
A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE.

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

1 SECTION 1. The legislature finds that the Hawaii health
2 connector was established by Act 205, Session Laws of Hawaii
3 2011, for the purpose of complying with the federal Patient
4 Protection and Affordable Care Act. The Hawaii health connector
5 was created as Hawaii's health insurance exchange and charged
6 with the responsibility of implementing applicable parts of the
7 federal act. The legislature further finds that the Hawaii
8 health connector was established as a private nonprofit entity,
9 rather than a state agency, to provide the connector with a
10 certain degree of freedom and autonomy in establishing and
11 operating the State's health insurance exchange.

12 Health insurance exchanges are a central component of the
13 federal act. The legislature recognizes that the successful and
14 efficient operation of the Hawaii health connector is essential
15 for the State, health insurers, and insured persons in Hawaii to
16 comply with the new requirements of the federal act.

17 Accordingly, the legislature finds that the Hawaii health
18 connector should be established as a state entity to ensure



1 greater accountability for its actions and improved oversight of
2 its ongoing operations.

3 The purpose of this Act is to establish the Hawaii health
4 insurance exchange as a state entity.

5 SECTION 2. Chapter 27, Hawaii Revised Statutes, is amended
6 by adding a new part to be appropriately designated and to read
7 as follows:

8 "PART . HAWAII HEALTH INSURANCE EXCHANGE

9 §27-A Definitions. As used in this article:

10 "Board" means the board of directors of the Hawaii health
11 connector.

12 "Commissioner" means the insurance commissioner of the
13 department of commerce and consumer affairs.

14 "Connector" means the Hawaii health insurance exchange,
15 known as the Hawaii health connector.

16 "Federal Act" means the federal Patient Protection and
17 Affordable Care Act, Public Law 111-148, as amended by the
18 federal Health Care and Education Reconciliation Act of 2010,
19 Public Law 111-152, and any amendments to, or regulations or
20 guidance issued under, those Acts.



1 "Insurer" means any person or entity that issues a policy
2 of accident and health or sickness insurance subject to article
3 10A of chapter 431, or chapters 432 or 432D.

4 "Qualified dental plan" means a dental benefit plan as
5 described in section 1311(d)(2)(B)(ii) of the Federal Act.

6 "Qualified plan" means a health benefit plan offered by an
7 insurer that meets the criteria for certification described in
8 section 1311(c) of the Federal Act.

9 **§27-B Establishment of the Hawaii health insurance**

10 **exchange; purpose.** (a) There is established the Hawaii health
11 insurance exchange, to be known as the Hawaii health connector,
12 which shall be a body corporate and politic and an
13 instrumentality and agency of the State. The authority shall be
14 attached to the department of budget and finance for
15 administrative purposes.

16 (b) The duties of the connector shall include:

17 (1) Facilitating the purchase and sale of qualified plans
18 and qualified dental plans;

19 (2) Connecting consumers to the information necessary to
20 make informed health insurance choices;

21 (3) Enabling consumers to purchase coverage and manage
22 health and dental plans electronically; and



1 (4) Performing any and all other duties required of a
2 health insurance exchange pursuant to the Federal Act
3 and this part.

4 (c) The connector shall serve as a clearinghouse for
5 information on all qualified plans and qualified dental plans
6 listed or included in the connector.

7 (d) The connector shall be audited annually by the state
8 auditor who shall submit the results of each annual audit to the
9 commissioner no later than thirty days after the connector
10 receives the results. The connector shall retain all annual
11 audits on file, along with any documents, papers, books,
12 records, and other evidence that is pertinent to its budget and
13 operations for a period of ten years and shall permit the state
14 auditor, the commissioner, the state legislature, or their
15 authorized representatives to have access to, inspect, and make
16 copies of any documents retained pursuant to this subsection.

17 (e) The board shall submit an annual report to the
18 legislature that shall include the most recent audit report
19 received pursuant to subsection (d), no later than twenty days
20 prior to the convening of each regular session of the
21 legislature.



1 (f) The connector shall offer consumer assistance in a
2 culturally and linguistically appropriate manner.

3 (g) The connector shall make qualified plans and qualified
4 dental plans available to qualified individuals and qualified
5 employers beginning with effective dates on or before January 1,
6 2014.

7 **§27-C Funding; Hawaii health connector revolving fund.**

8 (a) The connector may receive contributions, grants,
9 endowments, fees, or gifts in cash or otherwise from public and
10 private sources including corporations, businesses, foundations,
11 governments, individuals, and other sources subject to rules
12 adopted by the board. The State may appropriate moneys to the
13 connector. As required by section 1311(d)(5)(A) of the Federal
14 Act, the connector shall be self-sustaining by January 1, 2015,
15 and may charge assessments or user fees to participating health
16 and dental carriers, or may otherwise generate funding to
17 support its operations.

18 (b) There is established the Hawaii health connector
19 revolving fund into which shall be deposited moneys received by
20 or under the supervision of the connector, pursuant to
21 subsection (a), and which shall not be considered part of the
22 general fund.



1 (c) All moneys in the Hawaii health connector revolving
2 fund are appropriated for the purposes of and shall be expended
3 by the connector for the operation of the Hawaii health
4 insurance exchange in compliance with this part and the Federal
5 Act.

6 **§27-D Board of directors; composition; operation.** (a)
7 The Hawaii health connector shall be governed by a board of
8 directors that shall comprise fifteen members appointed by the
9 governor in accordance with section 26-34. The board shall
10 elect a chairperson from among its members and shall elect other
11 officers as it deems necessary.

12 (b) The membership of the board shall reflect geographic
13 diversity and the diverse interests of stakeholders, including
14 consumers, employers, insurers, and dental benefit providers;
15 provided that no less than three members shall be consumers who
16 are covered by a qualified plan purchased through the
17 contractor.

18 (c) The director of commerce and consumer affairs or the
19 director's designee, the director of health or the director's
20 designee, the director of human services or the director's
21 designee, and the director of labor and industrial relations or



1 the director's designee shall be ex officio, voting members of
2 the board.

3 (d) Board members shall serve staggered terms pursuant to
4 section 26-34; provided that this subsection shall not apply to
5 ex officio members, who shall serve during their entire term of
6 office.

7 (e) The members of the board appointed under subsection
8 (a) shall serve without compensation, but shall be reimbursed
9 for expenses, including travel expenses, incurred in the
10 performance of their duties.

11 (f) The board shall manage the budget of the connector
12 according to generally accepted accounting principles and a plan
13 for financial organization adopted by the legislature based upon
14 recommendations of the board.

15 **§27-E Board meetings; transparency.** (a) In addition to
16 the exceptions in section 92-5, the board may hold an executive
17 meeting that is closed to the public when it is necessary for
18 the board to consider information that is proprietary to a
19 particular entity with which it has business dealings and the
20 disclosure of which might be harmful to the business interest of
21 the entity.



1 (b) The board shall adopt rules pursuant to chapter 91
2 that require transparency of board actions, including public
3 disclosure and posting of board minutes on the connector's
4 website.

5 **§27-F Executive officer; employees.** (a) The board shall
6 appoint an executive director, who shall serve at the pleasure
7 of the board and shall be exempt from chapter 76. The board
8 shall set the salary and duties of the executive director.

9 (b) Through its executive director, the board may appoint
10 officers, agents, and employees, prescribe their duties and
11 qualifications, and fix their salaries without regard to chapter
12 76.

13 **§27-G Eligibility of insurers and plans.** The commissioner
14 shall determine eligibility for the inclusion of insurers and
15 plans in the connector; provided that all qualified plans and
16 qualified dental plans that apply for inclusion shall be
17 included in the connector.

18 **§27-H Eligibility determination for applicants in medicaid**
19 **adult and children's health insurance program.** The department
20 of human services shall determine the qualifications and
21 eligibility of individuals to participate in medicaid adult or
22 children's health insurance programs. The department of human



1 service's determination of eligibility shall enable qualified
2 individuals and authorized adults on behalf of qualified
3 children to purchase qualified plans and qualified dental plans
4 from the connector. The department of human services shall
5 verify for the connector the eligibility of individuals and
6 children to participate in subsidized plans purchased through
7 the connector.

8 **§27-I Oversight; rate regulation.** (a) The commissioner,
9 pursuant to the authority granted by part II of article 2 of
10 chapter 431, shall retain full regulatory jurisdiction over all
11 insurers and qualified plans and qualified dental plans included
12 in the connector.

13 (b) Rates for qualified plans and qualified dental plans
14 included in the connector shall be regulated pursuant to
15 applicable state and federal law.

16 **§27-J Effect on the prepaid health care act.** Nothing in
17 this part shall in any manner diminish or limit the consumer
18 protections contained in or alter the provisions of chapter 393.

19 **§27-K Rules.** The board shall adopt rules pursuant to
20 chapter 91 necessary to implement the provisions of this part.
21 Rules adopted pursuant to this section shall not conflict with
22 or prevent the application of regulations promulgated by the



1 Secretary of the United States Department of Health and Human
2 Services under the Federal Act.

3 §27-L Network adequacy. The commissioner shall provide
4 the Hawaii health connector with a list of qualified health
5 plans that meet network adequacy standards as determined by the
6 commissioner.

7 §27-M Procurement; exemption. The connector shall be
8 exempt from chapter 103D."

9 SECTION 3. Section 432F-2, Hawaii Revised Statutes, is
10 amended by amending subsection (d) to read as follows:

11 "(d) To enable the commissioner to determine the network
12 adequacy for qualified health plans to be listed with the Hawaii
13 health connector under section [~~435H-11,]~~ 27-L, the commissioner
14 may request that a managed care plan demonstrate the adequacy of
15 its provider network at the time that it files its health plan
16 benefit document with the commissioner."

17 SECTION 4. Chapter 435H, Hawaii Revised Statutes, is
18 repealed.

19 SECTION 5. On January 1, 2015, all rights, powers,
20 functions, and duties of the Hawaii health connector established
21 pursuant to chapter 435H, Hawaii Revised Statutes, shall be
22 transferred to the Hawaii health connector established pursuant



1 to this Act, and the Hawaii nonprofit corporation known as the
2 Hawaii health connector established pursuant to chapter 435H,
3 Hawaii Revised Statutes, shall be dissolved.

4 Employees shall be transferred without loss of salary,
5 seniority, prior service credit, vacation or sick leave credits
6 previously earned, or other employee benefits or privileges as a
7 consequence of this Act; provided that the employee possesses
8 the legal and public employment requirements for the position to
9 which transferred or appointed, as applicable; provided further
10 that subsequent changes in status may be made pursuant to
11 applicable employment and compensation laws. Any employee
12 transferred as a consequence of this Act shall be exempt from
13 civil service and shall not be appointed to a civil service
14 position as a consequence of this Act. The board of directors
15 of the Hawaii health connector established pursuant to this Act
16 may prescribe the duties and qualifications of these employees
17 and fix their salaries without regard to chapter 76, Hawaii
18 Revised Statutes.

19 SECTION 6. On January 1, 2015, all appropriations,
20 records, equipment, machines, files, supplies, contracts, books,
21 papers, documents, maps, and other personal property heretofore
22 made, used, acquired, or held by the Hawaii nonprofit



1 corporation known as the Hawaii health connector and established
2 pursuant to chapter 435H, Hawaii Revised Statutes, relating to
3 the functions transferred to the Hawaii health connector
4 established pursuant to this Act shall be transferred with the
5 functions to which they relate.

6 SECTION 7. On January 1, 2015, all moneys held by the
7 Hawaii nonprofit corporation known as the Hawaii health
8 connector and established pursuant to chapter 435H, Hawaii
9 Revised Statutes, including but not limited to federal grant
10 moneys, shall be transferred to the Hawaii health connector
11 revolving fund established pursuant to section 27-C, Hawaii
12 Revised Statutes. The director of budget and finance shall take
13 all actions necessary to effectuate the timely transfer of those
14 moneys.

15 SECTION 8. This Act does not affect rights and duties that
16 matured, penalties that were incurred, and proceedings that were
17 begun before its effective date.

18 SECTION 9. In codifying the new sections added by section
19 2 of this Act, the revisor of statutes shall substitute
20 appropriate section numbers for the letters used in designating
21 the new sections in this Act.




H.B. NO. 2526

1 SECTION 10. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 11. This Act shall take effect upon its approval;
4 provided that sections 2, 3, and 4 of this Act shall take effect
5 on January 1, 2015.

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INTRODUCED BY:



Allen A Pelletti

~~_____~~

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JAN 23 2014



H.B. NO. 2526

Report Title:

Hawaii Health Connector

Description:

Establishes the Hawaii Health Connector as a state entity as of 01/01/2015.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

