

Honolulu, Hawaii
February 7, 2014

RE: H.B. No. 2527
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 2527
entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURERS ASSESSMENTS,"

begs leave to report as follows:

The purpose of this measure is to provide for the long-term
financial stability of the Hawaii Health Connector.

Specifically, this measure:

- (1) Establishes the Hawaii Health Connector sustainability fee to be assessed by the Insurance Commissioner upon insurers in the State based upon the number of individuals covered by each insurer;
- (2) Establishes a Hawaii Health Connector sustainability special subaccount within the compliance resolution fund, into which shall be deposited revenues from the sustainability fee;
- (3) Directs the board of directors of the Hawaii Health Connector to notify the Insurance Commissioner of the funding needed to finance its operations over the upcoming fiscal year; and
- (4) Directs the Insurance Commissioner to transfer necessary funds to the Connector from the special subaccount.



Testimony in support of this measure was submitted by AlohaCare, Hawaii Medical Service Association, Hawaii Primary Care Association, and Community Alliance for Mental Health. Comments on this measure were provided by the Governor's Office of Healthcare Transformation, Hawaii Health Connector, American Association of Retired Persons, Tax Foundation of Hawaii, and the Chamber of Commerce of Hawaii.

Your Committee finds that both the federal Patient Protection and Affordable Care Act and chapter 435H, Hawaii Revised Statutes, require that Hawaii's health insurance exchange, the Hawaii Health Connector, be self-sustaining by January 1, 2015. The federal act and state law authorize the Connector to assess fees on insurers as a method of financing its operations. Indeed, your Committee notes that other states and the federal government have adopted fees and assessments as a means of providing financial support for their respective health insurance exchanges. To date, the Connector has approved a sustainability fee on health insurance plans sold through the Connector as follows: a 2 per cent fee on plans sold to individuals, which took effect January 1, 2014; and a 2 per cent fee on plans sold to small businesses, beginning on July 1, 2014.

Your Committee finds that imposing a fee only on health insurance plans sold through the Connector creates a disincentive for insurers to participate in the Connector and provides an unfair advantage to insurers that only sell health insurance outside of the Connector. Further, it is not clear that the current level of enrollment in health insurance plans purchased through the Connector will produce adequate fee revenue to make the Connector self-sustaining. Accordingly, your Committee finds that requiring the Insurance Commissioner to assess a fee on insurers that sell health insurance plans both inside and outside of the Connector will promote a competitive health insurance market, ensure the financial soundness of the Hawaii Health Connector, and maintain reasonable health insurance rates.

Your Committee has amended this measure by:

- (1) Changing the name of the sustainability fee to the "Hawaii health connector universal federally mandated sustainability fee" to reflect the federal requirement for state health insurance exchanges to be self-sustaining and the broad applicability of the fee;



- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2527, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2527, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Health,



DELLA AU BELATTI, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

H902 24-14

Record of Votes of the Committee on Health

Bill/Resolution No.: <i>HB 2527</i>	Committee Referral: <i>HLT, CPC, FIN</i>	Date: <i>2/5/14</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
HLT Members	Ayes	Ayes (WR)	Nays	Excused
1. BELATTI, Della Au (C)	✓			
2. MORIKAWA, Dee (VC)	✓			
3. CARROLL, Mele	✓			
4. CREAGAN, Richard	✓			
5. HASHEM, Mark J.	✓			
6. JORDAN, Jo		✓		
7. KOBAYASHI, Bertrand	✓			
8. OSHIRO, Marcus R.		✓		
9. WOODSON, Justin H.				✓
10. MATSUMOTO, Lauren Kealohilani		✓		
TOTAL (10)	<i>6</i>	<i>3</i>		<i>1</i>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>[Signature]</i></u>				
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