

Honolulu, Hawaii

February 7, 2014

RE: H.B. No. 2529

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. 2529
entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose of this measure is to provide greater
transparency and oversight for the Hawaii Health Connector
("Connector").

Specifically, this measure:

- (1) Transitions the Connector from a private nonprofit entity to a state entity within the Department of Commerce and Consumer Affairs, effective January 1, 2016;
- (2) Directs the Director of Commerce and Consumer Affairs to work with the Connector to effectuate a "seamless transition" with no interruption of service;
- (3) Reduces the Connector's board of directors from fifteen members to nine voting members, to include the Insurance Commissioner, the Director of Human Services, the Healthcare Transformation Coordinator, two members appointed by the Governor, two members appointed by the President of the Senate, and two members appointed by the Speaker of the House of Representatives; and



- (4) Establishes a consumer, patient, business, and health care advisory group and an intergovernmental agency advisory group to provide recommendations and input to the Connector board of directors.

The Community Alliance for Mental Health provided testimony in support of this measure. The Governor's Office of Healthcare Transformation, Hawaii Health Connector, American Association of Retired Persons, Chamber of Commerce of Hawaii, Hawaii Primary Care Association, and one concerned individual provided comments.

The Patient Protection and Affordable Care Act ("PPACA") authorized states to create health insurance exchanges to implement certain health insurance reforms in the PPACA. In response, Hawaii established the Hawaii Health Connector as a private nonprofit entity in 2011 to serve as Hawaii's health insurance exchange. Your Committee finds that the operations of the Connector deserve closer oversight to ensure accountability and long-term sustainability. Your Committee believes that this can be achieved by establishing the Connector as a state entity instead of its existing form as a private entity. Your Committee also notes that the creation of a consumer, patient, business, and health care advisory group and an intergovernmental agency advisory group to provide recommendations and input to the Connector board of directors will ensure that the board is responsive to the concerns of both public and private stakeholders.

Further, the PPACA requires state health insurance exchanges to be self-sustaining by January 1, 2015, and authorizes them to assess fees on insurers as a method of financing their operations. Your Committee recognizes that other states and the federal government have adopted fees to finance their own respective health insurance exchanges. 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. As a means to efficiently account for Connector revenues and expenditures, your Committee believes that it is necessary to establish a Hawaii Health Connector sustainability revolving fund as a repository for revenue from these fees and other moneys acquired by the Connector. However, because the Hawaii Health Connector has already received planning and establishment grants



from the federal government, your Committee believes that a special subaccount should be created within the revolving fund to house these moneys.

Your Committee further notes that the PPACA encourages states to develop their own innovative health care reforms by allowing states to seek innovation waivers from specific requirements of the PPACA relating to qualified health plans, health insurance exchanges, and certain premium subsidies. Hawaii has a long history of finding novel and effective approaches to providing access to health insurance for its uninsured and underinsured persons of all income levels. Accordingly, your Committee believes that Hawaii should investigate the feasibility of alternatives to certain requirements of the PPACA that are equally affordable and comprehensive, but tailored to Hawaii's unique insurance market. Your Committee also believes that a task force of public and private stakeholders should be created to determine the feasibility of alternative approaches to certain provisions of the PPACA and prepare a draft application for a state innovation waiver.

Your Committee has amended this measure by:

- (1) Establishing the Hawaii Health Connector as a state entity within the Office of the Governor, effective January 1, 2015;
- (2) Providing for the further transfer of the Connector to the State Health Planning and Development Agency, for administrative purposes, on December 31, 2017, or upon the approval of a state innovation waiver, whichever occurs first;
- (3) Replacing the Insurance Commissioner with the Director of Commerce and Consumer Affairs to serve on the Connector board of directors and replacing the Director of Commerce and Consumer Affairs with the Insurance Commissioner on the intergovernmental agency advisory group;
- (4) Making the following changes to the existing administration and operations of the Connector, upon its establishment as a state entity:
 - (A) Establishing the Hawaii Health Connector universal federally mandated sustainability fee to be



assessed by the Insurance Commissioner upon each insurer who sells health or dental insurance in the State, either through the Connector or outside of it, based upon the number of individuals covered by each insurer;

- (B) Creating a Hawaii Health Connector sustainability revolving fund, into which shall be deposited moneys received by the Connector, including the Hawaii Health Connector universal federally mandated sustainability fee;
 - (C) Establishing a special subaccount within the Hawaii Health Connector sustainability revolving fund, into which shall be deposited federal grant moneys received by the Connector prior to January 1, 2015;
 - (D) Requiring the board of directors to adopt rules to ensure transparency of board actions, but authorizing the board to close meetings to the public when discussing proprietary information;
 - (E) Authorizing insurance agents and brokers who have been certified by the Insurance Commissioner to enroll individuals and employers in qualified plans through the Connector; and
 - (F) Requiring the Connector to conduct procurement pursuant to chapter 103F, Hawaii Revised Statutes;
- (5) Repealing chapter 435H, Hawaii Revised Statutes, which originally established the Connector, effective January 1, 2015;
 - (6) Providing for the dissolution of the nonprofit private Hawaii Health Connector and the transfer of its functions, records, personnel, property, and moneys to the newly-established state entity, effective January 1, 2015;
 - (7) Directing the Office of the Governor to assist the Connector board of directors to effectuate a seamless transition without any interruption in service;
 - (8) Appropriating an unspecified amount in Fiscal Year 2014-2015 to support the operations of the existing Hawaii



Health Connector; provided that the Connector submits an itemized proposed budget to the Office of the Governor;

- (9) Establishing a state innovation waiver task force within the Office of the Governor that shall:
 - (A) Examine the feasibility of alternatives to certain health reforms in the PPACA;
 - (B) Develop a plan for applying for a state innovation waiver that meets the requirements of the PPACA, including options that offer innovations to the State's Medicaid program;
 - (C) Examine the feasibility of obtaining an exemption to or waiver from the allowable age-based variances in health insurance premium rates;
 - (D) Prepare a draft application for a state innovation waiver, to take effect for plan years beginning after January 1, 2017; and
 - (E) Report its findings to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016; and
 - (F) Be dissolved on June 30, 2017;
- (10) Appropriating an unspecified amount in Fiscal Year 2014-2015 to support the operations of the state innovation waiver task force; and
- (11) 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. 2529, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2529, 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 A. Belatti

DELLA AU BELATTI, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HCR 240-14

Record of Votes of the Committee on Health

Bill/Resolution No.: <i>HB 2529</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)	7	2		1
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: _____ <i>[Signature]</i>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				