

Honolulu, Hawaii
February 14, 2014

RE: H.B. No. 2529
H.D. 2

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

Sir:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 2529, H.D. 1, 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") and to ensure the long-term sustainability of health
insurance reform in Hawaii.

Specifically, this measure:

- (1) Establishes the Hawaii Health Connector as a state
entity, effective January 1, 2015, and transitions its
property, personnel, and moneys to the State;
- (2) Amends the composition of the Connector's board of
directors;
- (3) Creates a consumer, patient, business, and health care
advisory group and an intergovernmental agency advisory
group to provide recommendations to the Connector board
of directors;
- (4) Establishes 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;

- (5) Creates a Hawaii Health Connector sustainability revolving fund for the deposit of moneys received by the Connector, including the Hawaii Health Connector universal federally mandated sustainability fee;
- (6) Authorizes insurance agents and brokers who have been certified by the Insurance Commissioner to enroll individuals and employers in qualified plans through the Connector;
- (7) Appropriates 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; and
- (8) Establishes and appropriates moneys for a state innovation waiver task force within the Office of the Governor to examine the feasibility of alternatives to certain health reforms in the federal Patient Protection and Affordable Care Act (PPACA) and develop a plan for applying for a state innovation waiver that meets the requirements of the PPACA;

The Community Alliance for Mental Health submitted testimony in support of this measure. The Department of Commerce and Consumer Affairs, Department of the Attorney General, American Association of Retired Persons, Chamber of Commerce of Hawaii, and the League of Women Voters provided comments.

Hawaii established the Hawaii Health Connector to serve as Hawaii's health insurance exchange to implement certain health insurance reforms in the PPACA. Your Committee finds that the operations and financial administration of the Connector deserve closer review to ensure transparency and sustainability. Your Committee believes that these objectives may be achieved by the Connector in its existing form but with closer engagement with stakeholders and oversight by the Legislature. Your Committee finds that creating two new advisory groups, composed of insurers and insurance producers, respectively, will allow these stakeholders to offer input to the Connector's board of directors while avoiding potential conflicts of interests. Your Committee



further finds that the creation of a Connector legislative oversight committee will allow the Legislature to offer its recommendations to the Connector regarding operations and financial administration and to make recommendations to the Insurance Commissioner concerning the appropriate amount of the universal federally mandated sustainability fee. Your Committee also believes that the Connector should be allowed to explore available revenue sources in addition to fees, that will help to maintain its financial stability.

Accordingly, your Committee has amended this measure by:

- (1) Deleting provisions that dissolve the private nonprofit Hawaii Health Connector, transfer its property and personnel to the State, and establish the Hawaii Health Connector as a new state entity;
- (2) Establishing an insurers advisory group and an insurance producers advisory group, respectively, to offer input and recommendations to the Connector board of directors;
- (3) Establishing the Connector legislative oversight committee to monitor the Connector's finances and operations;
- (4) Amending the existing statutory language in section 435H-2, Hawaii Revised Statutes, that establishes the Connector to:
 - (A) Specify that the Connector is a nonprofit unincorporated entity that is an instrumentality of the State;
 - (B) Specify that the debts and liabilities of the Connector do not constitute the debts and liabilities of the State; and
 - (C) Delete the requirement for the Connector to be organized and governed pursuant to Chapter 414D, Hawaii Revised Statutes;
- (5) Changing the composition of the Connector board of directors by:
 - (A) Changing the size of the board to twelve members;



- (B) Requiring two board members to be nonvoting members who are appointed by the insurers advisory group from among its members;
 - (C) Requiring three board members to be appointed by the Governor;
 - (D) Specifying that the ex officio members are nonvoting members; and
 - (E) Clarifying that the appointed board members may not be employees of the State;
- (6) Deleting the provisions that establish the intergovernmental agency advisory group;
 - (7) Requiring the Connector to submit an annual sustainability plan to the Insurance Commissioner and the Connector legislative oversight committee that includes a detailed budget, based upon zero-based budgeting principles, for the upcoming fiscal year;
 - (8) Requiring the Insurance Commissioner to consider the recommendation of the Connector legislative oversight committee in setting the universal federally mandated sustainability fee each year;
 - (9) Making the assessment of the universal federally mandated sustainability fee discretionary;
 - (10) Renaming the Hawaii Health Connector sustainability revolving fund as the Hawaii Health Connector sustainability special fund and changing the types of funds that are to be deposited into the fund by deleting reference to any other assessments or user fees established by the Connector and clarifying that the special fund may receive appropriations from the Legislature;
 - (11) Authorizing the Insurance Commissioner to transfer moneys from the Hawaii Health Connector sustainability special fund to the Connector to be used only for the administration, operation, and prudent cash management of the Connector;



- (12) Authorizing the Connector to raise revenue by charging fees to display advertisements for ancillary products on its website;
- (13) Deleting the appropriation in fiscal year 2014-2015 to support the operations of the Connector;
- (14) Deleting provisions relating to the creation of the state innovation waiver task force and the appropriation to support the task force;
- (15) Changing the effective date to July 1, 2112, to facilitate further discussion on the measure; and
- (16) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes that the measure, as amended, limits the uses of the moneys transferred to the Connector from the Hawaii Health Connector sustainability special fund to funding the "administration, operations, and prudent cash management" of the Connector. Your Committee encourages the Committee on Finance to discuss the Connector's cash management needs and consider making a recommendation of sound financial principles to be followed by the Connector.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2529, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 2529, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



