

Honolulu, Hawaii  
**March 21**, 2014

RE: S.B. No. 2470  
S.D. 1  
H.D. 1

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

Sir:

Your Committees on Health and Consumer Protection & Commerce,  
to which was referred S.B. No. 2470, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH CONNECTOR,"

beg leave to report as follows:

The purpose of this measure, as received by your Committees,  
is to amend the composition and procedures of the Board of  
Directors of the Hawaii Health Connector (Hawaii Health Connector  
Board) by, among other things:

- (1) Lowering the number of members on the Hawaii Health Connector Board to 12, with a maximum of nine total voting members;
- (2) Removing members representing insurers and dental benefit providers from the Hawaii Health Connector Board;
- (3) Authorizing the Governor to designate one representative from a list of state agencies to serve as the State's official voting representative on the Hawaii Health Connector Board;
- (4) Requiring all other listed state agency representatives to be ex officio nonvoting members of the Hawaii Health Connector Board;



- (5) Requiring the Governor to notify the Hawaii Health Connector Chair regarding the selection of the designated voting and nonvoting state representative members of the Hawaii Health Connector Board; and
- (6) Establishing procedures for filling vacancies on the Hawaii Health Connector Board.

For purposes of facilitating public input on this measure, your Committees gave notice of and held a public hearing on a proposed draft of this measure. The proposed draft circulated by your Committees, among other things:

- (1) Provides that the Hawaii Health Connector is a nonprofit incorporated entity;
- (2) Specifies that the official designation of the Hawaii Health Connector is the State of Hawaii Health Insurance Exchange;
- (3) Establishes a Consumer, Patient, Business, and Health Care Advisory Group; Health Insurers Advisory Group; and Insurance Producers Advisory Group to provide input and recommendations to the Hawaii Health Connector Board;
- (4) Establishes the Hawaii Health Connector Oversight Council within the Department of Commerce and Consumer Affairs to oversee the activities of the Hawaii Health Connector;
- (5) Authorizes certified insurance agents and brokers to:
  - (A) Enroll individuals and employers in qualified plans through the Hawaii Health Connector; and
  - (B) Assist individuals and employers in applying for applicable premium tax credits and cost-sharing reductions;
- (6) Until June 30, 2018, requires the Hawaii Health Connector Board to submit a sustainability plan annually to the Hawaii Health Connector Oversight Council and the Insurance Commissioner on the amount of funding required to finance the operations and cash reserve of the Hawaii



Health Connector for each ensuing fiscal year beginning July 1;

- (7) Establishes the Hawaii Health Insurance Exchange Special Fund into which legislative appropriations to the fund are to be deposited, and requires that the fund be audited annually by an independent auditor;
- (8) Dissolves the Hawaii Health Insurance Exchange Special Fund on June 30, 2018, and specifies that all unencumbered and unexpended moneys remaining on balance in the fund on that date lapse into the general fund;
- (9) Provides that the debts and liabilities of the Hawaii Health Connector shall not constitute the debts and liabilities of the State;
- (10) Removes the authority of the Hawaii Health Connector to charge assessments or user fees to participating health and dental carriers to support its operations, but allows the Hawaii Health Connector to charge fees for displaying advertisement for ancillary services on its website;
- (11) Clarifies the purposes of the Hawaii Health Connector to specify performing any and all other duties required of a health insurance exchange pursuant to the federal Patient Protection and Affordable Care Act;
- (12) Reduces the number of members on the Hawaii Health Connector Board from 15 members to 10 members, of which seven will be voting members, and changes its composition;
- (13) Sets forth the education, training, and professional experience necessary, and the background and expertise to be considered, for individuals to serve on the Hawaii Health Connector Board;
- (14) Appropriates general funds for Fiscal Year 2014-2015 for:
  - (A) Necessary expenses of the members of the Consumer, Patient, Business, and Health Care Advisory Group; Health Insurers Advisory Group; Insurance Producers



Advisory Group; and Hawaii Health Connector Oversight Council; and

(B) Deposit into the Hawaii Health Insurance Exchange Special Fund for the sustainability of the Hawaii Health Connector; and

(15) Appropriates funds out of the Hawaii Health Insurance Exchange Special Fund for Fiscal Year 2014-2015 for the operations of the Hawaii Health Connector.

Your Committees received testimony from the following organizations and individuals on S.B. No. 2470, S.D. 1, and on the proposed draft:

S.B. No. 2470, S.D. 1: The Community Alliance for Mental Health, United Self Help, and an individual supported this measure. The Chamber of Commerce of Hawaii and Hawaii Business League opposed this measure. The Hawaii Primary Care Association submitted comments.

S.B. No. 2470, S.D. 1, Proposed Draft H.D. 1: The Office of the Governor, Department of the Attorney General, Hawaii Health Connector and its Board of Directors, Advantage Insurance Services, Inc., NAIFA Hawaii, AARP, and Hawaii Medical Service Association submitted comments.

Upon consideration of this measure in the form in which it was received and in the form of the proposed draft, your Committees have adopted the proposed draft and have further amended it by:

- (1) Providing that notwithstanding Chapter 414D, Hawaii Revised Statutes, (Hawaii Nonprofit Corporations Act), the Hawaii Health Connector shall be governed by a Board of Directors; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

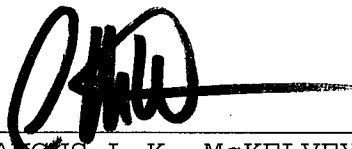
As of the date of the public hearing, your Committees have not received a sustainability plan from the Hawaii Health Connector. As such, absent the sustainability plan, including any clarity on the amount of the funds being sought, your Committees respectfully request that the House Committee on Finance take a cautious approach and appropriate the sums of \$1 for each of the



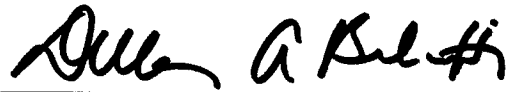
appropriations specified in this bill at this time to facilitate further discussion.

As affirmed by the records of votes of the members of your Committees on Health and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2470, S.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2470, S.D. 1, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committees on Health and  
Consumer Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



DELLA AU BELATTI, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

**HSOR 1149-14**

**Record of Votes of the Committee on Health**

<b>Bill/Resolution No.:</b> SB 2470 SD1	<b>Committee Referral:</b> HLT/CPC, FIN	<b>Date:</b> 3/17/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <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	✓			
<b>TOTAL (10)</b>	9	1		
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
<b>Vice Chair's or designee's signature:</b> _____				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				

