

STAND. COM. REP. NO. 2357

Honolulu, Hawaii

FEB 14 2014

RE: S.B. No. 3050  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 3050 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the Hawaii health connector sustainability trust account; and
- (2) Authorize the Insurance Commissioner to levy a Hawaii health connector sustainability fee on all issuers selling plans inside and outside the Hawaii health insurance exchange.

Your Committee received testimony in support of this measure from the Hawaii Medical Service Association. Your Committee received comments on this measure from the Office of the Governor, Hawai'i Health Connector, Hawai'i Primary Care Association, American Family Life Assurance Company of Columbus, The Chamber of Commerce of Hawaii, AARP, and Tax Foundation of Hawaii.

Your Committee finds that the federal Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) mandates state health insurance exchanges to be self-sustaining beginning in January 2015. This measure attempts to create a sustainable funding method for Hawaii's health insurance exchange by imposing an assessment based on the number of individuals covered by each

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insurer. Your Committee further finds that a fee based on premiums would better accommodate cost inflation over time, rather than a fee based on covered lives.

Your Committee additionally finds that it should be clarified in statute that the Hawaii Health Connector is the designated State of Hawaii health insurance exchange for purposes of the Affordable Care Act. This will address any constitutional concerns that might be raised under article VII, section 4, of the Hawaii State Constitution, relating to appropriations of public monies to private parties.

Your Committee also finds that it would be more appropriate to establish a funding mechanism for Hawaii Health Connector sustainability within chapter 435H, Hawaii Revised Statutes, relating to the Hawaii health insurance exchange, rather than establishing a new section within article 2 of the Insurance Code. Your Committee concludes that a surcharge collected by the Insurance Commissioner and appropriated to the Hawaii Health Connector by the Legislature, pursuant to a fully documented budget request, will help ensure accountability and transparency of the Hawaii Health Connector as the Connector moves toward its goal of long-term sustainability.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have established the Hawaii health connector sustainability trust account within the compliance resolution fund and would have authorized the Insurance Commissioner to levy a Hawaii health connector sustainability fee on all issuers selling plans inside and outside of the Hawaii health insurance exchange;
- (2) Establishing the Hawaii health insurance exchange special fund, administered by the Department of Commerce and Consumer Affairs, to be used for the financial support of the Hawaii health insurance exchange and to ensure the sustainability of the Hawaii health insurance exchange;
- (3) Beginning January 1, 2015, assessing a Hawaii health insurance exchange surcharge of .345 percent of the premiums derived from the sale of comprehensive medical insurance plans, including dental plans, in the State,



to be deposited into the Hawaii health insurance exchange special fund;

- (4) Requiring the Board of Directors of the Hawaii Health Connector to prepare and submit to the Legislature a fully documented biennial budget request for the Connector;
- (5) Annually appropriating the funds collected from the Hawaii health insurance exchange surcharge to the Hawaii health insurance exchange, pursuant to the documented budget request demonstrating the need for and use of the surcharge for Hawaii Health Connector sustainability;
- (6) Specifying that not more than \$15,000,000 shall be allocated to the Hawaii health insurance exchange in any calendar year, but providing that the Legislature may increase this ceiling through adoption of a subsequent budget request from the Hawaii Health connector;
- (7) Clarifying the status of the Hawaii Health Connector as the designated health insurance exchange for the State;
- (8) Clarifying that the Hawaii Health Connector must submit the results of the Connector's annual audit to the Legislature;
- (9) Specifying that funding for the Hawaii Health Connector may include appropriations from the Legislature via the Hawaii health insurance exchange surcharge, but noting that the current two percent surcharge authorized by the Connector shall cease to be collected once the Hawaii health insurance exchange surcharge is instituted;
- (10) Amending the purpose section for clarity; and
- (11) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

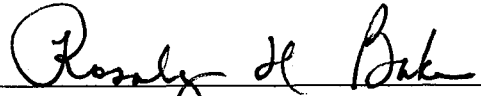
Your Committee notes that because this measure assesses a surcharge on all comprehensive medical plans in the State, more plans and individuals are covered under the surcharge. The result is a much lower surcharge than the two percent surcharge currently levied by the Hawaii Health Connector and a level playing field that promotes competition and ensures equity amongst health



insurance issuers. This amended measure also promotes additional accountability and transparency for the Hawaii Health Connector.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3050, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3050, S.D. 1, and be referred to the Committee on Ways and Means.

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

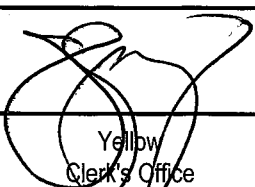


ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 3050	CPN, WAM	2/11/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
NISHIHARA, Clarence K.		✓		
WAKAI, Glenn		✓		
SLOM, Sam			✓	
<b>TOTAL</b>	1	2	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes