



GOV. MSG. NO. 1144

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

April 29, 2016

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

This is to inform you that on April 29, 2016, the following bill was signed into law:

SB2383 SD2 HD2

RELATING TO THE HAWAII HEALTH
CONNECTOR
ACT 044 (16)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor

on APR 29 2016

THE SENATE
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

ACT 044
S.B. NO. 2383
S.D. 2
H.D. 2

A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH CONNECTOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the federal Patient
2 Protection and Affordable Care Act of 2010 (Affordable Care Act)
3 requires states to establish health insurance exchanges to
4 connect buyers and sellers of health and dental insurance and
5 facilitate the purchase and sale of federally qualified health
6 insurance plans and qualified dental plans. Hawaii's health
7 insurance exchange, known as the Hawaii health connector
8 (Connector), was established in 2011 and charged with
9 implementing applicable parts of the Affordable Care Act.

10 The legislature further finds that:

- 11 (1) Due to Hawaii's small population, the highly
12 successful Hawaii Prepaid Health Care Act of 1974
13 (Prepaid Health Care Act), and expanded medicaid
14 coverage that resulted in lower numbers of uninsured
15 residents in the State; and
16 (2) Despite substantial federal investment in technology
17 and assistance, the efforts of the board of directors



1 and the staff of the Connector, work contributed by
2 public sector employees, and the support of the
3 legislature,

4 the Connector was unable to meet the financial sustainability
5 requirements imposed by the federal government.

6 In June 2015, the federal Department of Health and Human
7 Services determined that Hawaii was not in compliance with
8 certain provisions of the Affordable Care Act. The governor,
9 state cabinet officials, and Connector leadership agreed to
10 accelerate the transition of the Connector's authority to the
11 State in November 2015. The legislature notes that this
12 transition was in the best interests of Hawaii residents, as the
13 State had already begun the transition into the federal
14 marketplace for the enrollment period slated to last through
15 January 1, 2016. The Connector officially ceased operations in
16 December 2015.

17 The legislature recognizes that some of the challenges
18 faced by the Connector can be attributed to the overwhelming
19 success of the State's Prepaid Health Care Act, which has
20 defined employer-sponsored health insurance in Hawaii and
21 fundamentally shaped Hawaii's health insurance marketplace for



1 over forty years. The Prepaid Health Care Act was the first law
2 of its kind in the nation and requires nearly all employers to
3 provide a uniformly high level of coverage for their employees.
4 Under the Prepaid Health Care Act, employees who work at least
5 twenty hours a week must be offered employer-sponsored health
6 insurance and cannot be required to pay more than 1.5 per cent
7 of their wages for employee-only coverage. Furthermore,
8 employer-based coverage under the Prepaid Health Care Act is
9 robust and provides significantly better benefits than those
10 required under the Affordable Care Act.

11 The legislature additionally finds that the Prepaid Health
12 Care Act's long history of mandated health care coverage has
13 resulted in a rate of uninsured individuals that is among the
14 lowest in the nation. The uninsured rate in Hawaii has
15 historically fallen between five and seven per cent, with a
16 recent analysis putting the current percentage of uninsured
17 residents at 5.3 per cent. However, the tremendous success of
18 the Prepaid Health Care Act also created challenges for the
19 Connector. Given Hawaii's small population, small insurance
20 marketplace, and historically low uninsured rate, implementing a
21 state-run exchange that could maintain financial sustainability



1 was difficult. Overall, the State lacked the high population
2 and high percentage of uninsured individuals needed to ensure
3 the long-term sustainability of the Connector.

4 The legislature notes that although the state-based
5 exchange model did not end up working in Hawaii's unique
6 marketplace, the Connector was successful in reaching many
7 previously uninsured individuals. Furthermore, Hawaii residents
8 will still have the opportunity to access affordable health care
9 coverage through the federally supported, state-based exchange,
10 similar to those in Oregon, Nevada, and New Mexico. The
11 legislature also notes that the State has been working with the
12 federal government to provide a new framework for marketplace
13 enrollment that will comply with federal requirements. This
14 successor program to the Connector will be established in a
15 separate measure currently moving through the legislative
16 process.

17 Finally, the legislature acknowledges and appreciates the
18 work of the board of directors and the staff of the Connector
19 and notes that neither the board nor the Connector staff are
20 responsible for the ultimate repeal of the Connector.



1 Accordingly, due to the Connector ceasing operations and
2 the transition to a federally supported, state-based exchange,
3 the purpose of this Act is to:

4 (1) Repeal the Connector and update an associated
5 reference to the Connector within the Hawaii Revised
6 Statutes;

7 (2) Specify that any debts and liabilities pertaining to
8 the Connector that were incurred prior to its repeal
9 shall not constitute a debt or liability of the State;
10 and

11 (3) Specify that the provisions in this Act shall not
12 diminish or limit the consumer protections contained
13 in or alter the provisions of the Prepaid Health Care
14 Act.

15 SECTION 2. Section 432F-2, Hawaii Revised Statutes, is
16 amended by amending subsection (d) to read as follows:

17 "(d) To enable the commissioner to determine the network
18 adequacy for qualified health plans to be listed [~~with the~~
19 ~~Hawaii health connector under section 435H-11,~~] on the federal
20 Patient Protection and Affordable Care Act marketplace, the
21 commissioner may request that a managed care plan demonstrate



1 the adequacy of its provider network at the time that it files
2 its health plan benefit document with the commissioner."

3 SECTION 3. Chapter 435H, Hawaii Revised Statutes, is
4 repealed.

5 SECTION 4. Notwithstanding the repeal in section 3 of this
6 Act of chapter 435H, Hawaii Revised Statutes, enacted as Act
7 205, Session Laws of Hawaii 2011, and amended by Act 233,
8 Session Laws of Hawaii 2014:

9 (1) The debts and liabilities incurred by the Hawaii
10 health connector remain the debts and liabilities of
11 the Hawaii health connector and do not constitute the
12 debts and liabilities of the State; nor is the State
13 responsible for the financial operations or solvency
14 of the Hawaii health connector; and

15 (2) Nothing in this Act shall in any manner diminish or
16 limit the consumer protections contained in or alter
17 the provisions of chapter 393, Hawaii Revised
18 Statutes.

19 SECTION 5. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21 SECTION 6. This Act shall take effect upon its approval.

S.B. NO. 2383
S.D. 2
H.D. 2

APPROVED this 29 day of APR, 2016

A handwritten signature in black ink, appearing to read "David Ige". The signature is written in a cursive style with a large, sweeping flourish at the end.

GOVERNOR OF THE STATE OF HAWAII