
A BILL FOR AN ACT

RELATING TO HEALTH INSURANCE.

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

1 SECTION 1. Chapter 431, Hawaii Revised Statutes, is
2 amended by adding a new section to article 14G to be
3 appropriately designated and to read as follows:

4 "§431:14G- Rerating. No person, business, or entity may
5 change or rerate any rate approved by the commissioner in any
6 subsequent transfer, sale, resale, or pass through of health
7 insurance issued by a managed care plan."

8 SECTION 2. Chapter 432, Hawaii Revised Statutes, is
9 amended by adding to article 1 a new section to be appropriately
10 designated and to read as follows:

11 "§432:1- Suspension, revocation, or denial of
12 certificate of authority. (a) Any certificate of authority
13 issued under this chapter may be suspended or revoked and any
14 application for a certificate of authority may be denied if the
15 commissioner finds that any of the conditions listed below
16 exists:

17 (1) The mutual benefit society is operating significantly
18 in contravention of its basic organizational document



1 or in a manner contrary to that described in any other
2 information submitted under section 432:1-301, unless
3 amendments to the submissions have been filed with and
4 approved by the commissioner;

5 (2) The mutual benefit society is no longer financially
6 responsible and may reasonably be expected to be
7 unable to meet its obligations to its members and
8 beneficiaries or prospective members;

9 (3) The mutual benefit society has failed to correct,
10 within the time prescribed by subsection (c), any
11 deficiency occurring due to the mutual benefit
12 society's prescribed minimum net worth being impaired;

13 (4) The mutual benefit society, or any person on its
14 behalf, has advertised or merchandised its services in
15 an untrue, misrepresentative, misleading, deceptive,
16 or unfair manner;

17 (5) The continued operation of the mutual benefit society
18 would be hazardous to its members; or

19 (6) The mutual benefit society has otherwise failed to
20 substantially comply with this chapter.



1 (b) In addition to, or in lieu of, suspension or
2 revocation of a certificate of authority pursuant to this
3 section, the commissioner may levy an administrative fine upon
4 the mutual benefit society in an amount not less than \$500 and
5 not more than \$50,000 pursuant to section 431:3-221.

6 (c) The following shall pertain when insufficient net
7 worth is maintained:

8 (1) Whenever the commissioner finds that the net worth
9 maintained by any mutual benefit society subject to
10 this chapter is less than the minimum net worth
11 required, the commissioner shall give written notice
12 to the mutual benefit society of the amount of the
13 deficiency and require the mutual benefit society to:

14 (A) File with the commissioner a plan for correction
15 of the deficiency acceptable to the commissioner;
16 and

17 (B) Correct the deficiency within a reasonable time,
18 not to exceed sixty days, unless an extension of
19 time, not to exceed sixty additional days, is
20 granted by the commissioner. The deficiency
21 shall be deemed an impairment, and failure to



1 correct the impairment in the prescribed time
2 shall be grounds for suspension or revocation of
3 the certificate of authority or for placing the
4 mutual benefit society in conservation,
5 rehabilitation, or liquidation; and

6 (2) Unless allowed by the commissioner, no mutual benefit
7 society or person acting on its behalf, directly or
8 indirectly, may renew, issue, or deliver any
9 certificate, agreement, or contract of coverage in
10 this State for which a premium is charged or
11 collected, when the mutual benefit society writing the
12 coverage is impaired and the fact of the impairment is
13 known to the mutual benefit society or to the person;
14 provided that the existence of an impairment shall not
15 prevent the issuance or renewal of a certificate,
16 agreement, or contract when the member exercises an
17 option granted under the plan to obtain a new,
18 renewed, or converted coverage.

19 (d) A certificate of authority shall be suspended or
20 revoked, an application for a certificate of authority denied,



1 or an administrative fine imposed, only after compliance with
2 the requirements of this section, including the following:

- 3 (1) Suspension or revocation of a certificate of
4 authority, denial of an application, or imposition of
5 an administrative fine pursuant to this section shall
6 be by written order and shall be sent to the mutual
7 benefit society or applicant by certified or
8 registered mail. The written order shall state the
9 grounds, charges, or conduct on which suspension,
10 revocation, denial, or administrative penalty is
11 based. The mutual benefit society or applicant, in
12 writing, may request a hearing pursuant to section
13 431:2-308; and
- 14 (2) If the mutual benefit society or applicant requests a
15 hearing pursuant to this section, the commissioner
16 shall issue a written notice of hearing and send it to
17 the mutual benefit society or applicant by certified
18 or registered mail and to the director of labor and
19 industrial relations stating:



1 (A) A specific time for the hearing, which may not be
2 less than twenty nor more than thirty days after
3 mailing of the notice of hearing; and

4 (B) A specific place for the hearing.

5 (e) When the certificate of authority of a mutual benefit
6 society is suspended, the mutual benefit society shall not,
7 during the period of the suspension, enroll any additional
8 members except newborn children or other newly acquired
9 dependents of existing members and shall not engage in any
10 advertising or solicitation whatsoever.

11 (f) When the certificate of authority of a mutual benefit
12 society is revoked, the society, immediately following the
13 effective date of the order of revocation, shall proceed to wind
14 up its affairs and shall conduct no further business except as
15 may be essential to the orderly conclusion of the affairs of the
16 society. The mutual benefit society shall engage in no further
17 advertising or solicitation whatsoever. The commissioner, by
18 written order, may permit further operation of the society as
19 the commissioner may find to be in the best interest of the
20 members, to the end that members will be afforded the greatest



1 practical opportunity to obtain continuing coverage and
2 benefits."

3 SECTION 3. Chapter 431M, Hawaii Revised Statutes, is
4 amended by amending its title to read as follows:

5 **"MENTAL HEALTH AND ALCOHOL AND [DRUG ABUSE] SUBSTANCE USE**
6 **DISORDER TREATMENT INSURANCE BENEFITS"**

7 SECTION 4. Section 431M-1, Hawaii Revised Statutes, is
8 amended as follows:

9 1. By amending the definition of "partial hospitalization
10 services" to read:

11 "Partial hospitalization [~~services~~]" means treatment
12 services, including in-hospital treatment services or benefits,
13 provided by a hospital or mental health outpatient facility to
14 patients who, because of their conditions, require more than
15 periodic hourly service. Partial hospitalization [~~services~~]
16 shall be prescribed by a physician or psychologist, and may be
17 prescribed by a licensed clinical social worker, marriage and
18 family therapist, licensed mental health counselor, or advanced
19 practice registered nurse in consultation with a physician or
20 psychologist. Partial hospitalization [~~services require~~]



1 requires less than twenty-four hours of care and a minimum of
2 three hours in any one day."

3 2. By repealing the definition of "serious mental
4 illness".

5 [~~"Serious mental illness" means a mental disorder~~
6 ~~consisting of at least one of the following: schizophrenia,~~
7 ~~schizo-affective disorder, bipolar types I and II, obsessive~~
8 ~~compulsive disorder, dissociative disorder, delusional disorder,~~
9 ~~and major depression, as defined in the most recent version of~~
10 ~~the Diagnostic and Statistical Manual of the American~~
11 ~~Psychiatric Association and which is of sufficient severity to~~
12 ~~result in substantial interference with the activities of daily~~
13 ~~living."]~~

14 SECTION 5. Section 432E-1, Hawaii Revised Statutes, is
15 amended by amending the definition of "emergency services" to
16 read as follows:

17 "Emergency services" means services provided to an
18 enrollee when the enrollee has symptoms of sufficient severity,
19 including severe pain, such that a layperson could reasonably
20 expect, in the absence of medical treatment, to result in
21 placing the enrollee's health or condition in serious jeopardy,



1 serious impairment of bodily functions, serious dysfunction of
2 any bodily organ or part, or death."

3 SECTION 6. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 7. This Act shall take effect upon its approval.



Report Title:

Insurance; Health Insurance; Rate Regulation; Certificate of Authority

Description:

Updates title 24 of the Hawaii Revised Statutes, relating to insurance, by: specifying that rerating of rates approved by the insurance commissioner is prohibited; permitting the suspension, revocation, or denial of a mutual benefit society's certificate of authority under certain conditions; and making other conforming amendments. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

