

STAND. COM. REP. NO. 3085

Honolulu, Hawaii

MAR 24 2016

RE: H.B. No. 2539  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred H.B. No. 2539, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to authorize the establishment of health savings accounts in conjunction with group accident and health or sickness insurance policies, group hospital and medical service plan contracts, and health maintenance organization plans in the State.

Prior to holding a hearing on this measure, your Committee made available for public review a proposed S.D. 1 of this measure. The proposed S.D. 1 deleted the contents of this measure and inserted provisions that authorize insurers, mutual benefit societies, and health maintenance organizations to offer, sell, or renew, on or after July 1, 2016, a high deductible health plan in conjunction with a health savings account to an employer subject to the Prepaid Health Care Act alongside a prepaid health care plan insurance policy that has been sold to the employer.

Your Committee received testimony in support of the proposed S.D. 1 from Kaiser Permanente Hawaii; Hawaii Medical Association; Outrigger Enterprises, Inc.; and JTB Hawaii, Inc. Your Committee received testimony in opposition to the proposed S.D. 1 from the International Longshore and Warehouse Union, Local 142. Your Committee received comments on the proposed S.D. 1 from the

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Department of the Attorney General, Department of Commerce and Consumer Affairs, Department of Labor and Industrial Relations, and Hawaii Medical Service Association.

Your Committee finds that health savings accounts are authorized under federal law and afford employees who also have a high deductible health plan and their families a tax-advantaged medical savings account. A health savings account is not subject to federal income tax at the time of deposit, and unspent balances continue to accumulate over time and follow the employee, should the employee change jobs. Money in a health savings account may only be used for qualified medical expenses. Your Committee further finds that health savings accounts are not appropriate for every employee, but for those employees who may be better matched with a health savings account program rather than a group plan, health savings accounts offer significant financial incentives.

Your Committee additionally finds that the proposed S.D. 1 establishes optional high deductible health plans in conjunction with health savings account programs for insurers who are subject to regulation by the Insurance Commissioner and Director of Labor and Industrial Relations. Your Committee notes that the proposed S.D. 1 is intended to codify currently permitted activity, as insurers may currently offer, sell, or renew high deductible health plans in conjunction with health savings accounts to employers subject to Hawaii's Prepaid Health Care Act.

Your Committee has heard the concerns that if employers offer only a high deductible health plan sold in conjunction with a health savings account to all employees eligible for the plan, that high deductible health plan may become the prevalent plan for the State. Amendments to this measure are therefore necessary to address this concern and other concerns relating to choice, provision, and implementation of the high deductible health plan options established by this measure.

Accordingly, your Committee has amended this measure by adopting the proposed S.D. 1 and further amending the measure by:

- (1) Clarifying that on or after January 1, 2017, insurers, mutual benefit societies, and health maintenance organizations are authorized to offer, sell, or renew, high deductible health plans in conjunction with a health savings account as provided by this measure, to provide these entities adequate time to implement the



high deductible health plan programs with employer groups;

- (2) Clarifying that insurers, mutual benefit societies, and health maintenance organizations may offer, sell, or renew a high deductible health plan in conjunction with a health savings account to an employer subject to chapter 393, Hawaii Revised Statutes, together with a prepaid health care plan policy or plan, which is not a high deductible health plan, that has been sold to the employer;
- (3) Ensuring that each eligible employee is offered a choice between a high deductible health plan and a non-high deductible health plan;
- (4) Clarifying that an insurer, mutual benefit society, or health maintenance organization is not required to provide a health savings account to an employer;
- (5) Specifying that the number of subscribers of high deductible health plans sold in conjunction with a health savings account shall be disregarded when determining the largest number of subscribers in the State for purposes of determining the State's preferred plan;
- (6) Inserting a severability clause; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2539, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2539, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



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

*Rosalyn H. Baker*

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ROSALYN H. BAKER, Chair



