

Honolulu, Hawaii

FEB 11 2016

RE: S.B. No. 2894
S.D. 1

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

Sir:

Your Committees on Commerce, Consumer Protection, and Health and Human Services, to which was referred S.B. No. 2894 entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURANCE,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the Department of Human Services to develop and administer outreach as required by the federal Patient Protection and Affordable Care Act of 2010 (Affordable Care Act); and
- (2) Create the Hawaii health insurance programs within the Department of Labor and Industrial Relations, which will conform state law to the Affordable Care Act and enable the State to: preserve the benefits of the Prepaid Health Care Act; ensure a smooth transition to a state-based marketplace using the federal platform for individuals and families; and develop a system to allow small businesses to continue to take advantage of Affordable Care Act tax credits.

Your Committees received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Department of Labor and Industrial Relations, Department of Human Services, Hawaii Medical Service Association, and International Warehouse and Longshore Union Local 142. Your Committees received comments on this measure from the State Procurement Office.



Your Committees find that Hawaii's state-based health insurance exchange, the private nonprofit Hawaii Health Connector, ceased operations on December 4, 2015. The State has since enlisted the assistance of six state departments to comply with federal requirements and ensure a smooth transition for enrollees from the state-based exchange to a state-based marketplace that utilizes the federal platform.

Your Committees further find that outreach and consumer assistance for health insurance, including Medicaid, continue to be needed during the transition. These functions will be provided by the Department of Human Services and require the continued development of communication materials, supplies, travel, and other administrative support. The Department of Human Services has estimated a need for additional staff to perform these outreach and consumer assistance functions, as these are not functions that have been previously provided by the Department.

Your Committees additionally find that during the transition, the Department of Labor and Industrial Relations is responsible for overseeing employers who have the option of providing health plans to their employees through Hawaii's Prepaid Health Care Act or the federal exchange, and managing the federal Affordable Care Act grant. The Department of Labor and Industrial Relations has requested transfer of the federal grant to the Department but has been informed that the State will be unable to receive federal grant monies until a new state exchange is named.

This measure establishes a new state health insurance exchange in the Department of Labor and Industrial Relations and authorizes the Department to operate a small business health options program under federal requirements. However, successful operation of the small business health options program is dependent on receiving approval of a federal waiver. Your Committees echo the frustration felt by many, that though the State continues to meet every objective set by the federal government, including low numbers of uninsured residents, generous coverage and benefits, and a program that did not increase costs to the federal government, there are no guarantees or assurances that a federal waiver will be granted. Despite these federal uncertainties, your Committees acknowledge that this measure is a necessary next step that can better assist the State during the transition to a state-based marketplace that utilizes the federal platform.



Your Committees have amended this measure by:

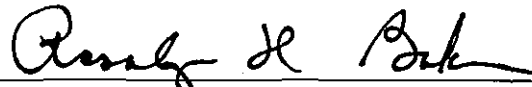
- (1) Removing language that would have exempted the Department of Labor and Industrial Relations from the Hawaii Public Procurement Code for purposes of the Hawaii health insurance programs;
- (2) Clarifying the Insurance Commissioner's regulatory authority over insurers and qualified plans and dental plans included in the state health insurance exchange;
- (3) Removing language that would have repealed chapter 435H, Hawaii Revised Statutes, relating to the Hawaii Health Connector, as the repeal of the Connector is being considered in another vehicle currently moving through the legislative process; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health and Human Services that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2894, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2894, S.D. 1, and be referred to your Committees on Judiciary and Labor and Ways and Means.

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



SUZANNE CHUN OAKLAND, Chair



ROSALYN H. BAKER, Chair



