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LATE

February 28, 2017

TO: The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 185 SD1 – RELATING TO CHILD CARE PROVIDERS**

Hearing: Tuesday, February 28, 2017, 10:30 a.m.
Conference Room 229, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure and offers comments.

PURPOSE: The purpose of the bill is beginning January 1, 2019 to require child care providers licensed or registered by the Department of Human Services to obtain and maintain liability insurance coverage.

The primary focus of DHS child care licensing program is on the health and safety of all children in care. Section 346-157, Hawaii Revised Statutes (HRS), prohibits DHS from requiring a provider to obtain or maintain liability insurance coverage as a condition of licensure, temporary permission, or registration to operation a child care facility.

Legislative history from the 1986 House Committee on Human Services provides that the Legislature was concerned with the costs of liability insurance that was passed on to parents, and that parents should be made aware if the child care facility had opted to not have any insurance coverage. See House Journal, Standing Committee Report no. 208-86, on HB 2238-86 (1986).

Existing administrative rules, in accordance with section 346-157(c), HRS, only requires child care homes and facilities to disclose in their written policies whether the

home or facility maintains liability coverage and must notify parents or guardians in writing no later than seven working days of the cancellation or termination of its liability insurance coverage. If the measure is enacted into law, pursuant to Chapter 91, HRS, DHS will need to amend existing administrative rules for all licensed and registered child care facilities and homes.

DHS provides the following comments: SB 185 SD1 requires the amount of liability insurance coverage to be determined by the department. Determining the amount of coverage will require investigation and research, which DHS has started to do by sending inquiries to local child care associations as to industry standards.

- Multi-site center based child care providers reported different ranges of coverage with the minimum beginning at \$1 million per occurrence with a variation from \$3 million aggregate to \$15 million aggregate, with costs from \$24,000 to \$96,000 for multiple sites.
- Other providers reported that the insurance rates were determined by different criteria such as revenue at the site, ages of the children, and property values. With wide variation in costs for center based providers, we have not determined whether there are additional differences in what is covered or excluded by individual policies as to whether all types of “negligence to a child” is covered by individual policies.
- The cost of home based providers is not known, however, in general, DHS understands that regular home owner liability insurance would not cover negligence that occurred during operation of a home business.
- As of January 2017, there were 393 registered family child care homes and 6 licensed group child care homes statewide. SB 185 SD1 if passed, and depending on the cost of insurance coverage, may result in the significant unintended consequences: 1) the statewide reduction of available registered family child care homes and licensed group child care homes, as home-based providers would be disproportionately impacted by the passage of this bill, and these small home-based businesses may not be able to afford the costs of liability insurance coverage, 2) the cost of child

care may likely rise, as cost of providing services rise and the numbers of providers decreases, and 3) lower income families may be disproportionately impacted as they would be priced out of licensed child care. Low-income families may then have no choice but to use less expensive, unregulated child care options.

If the bill is adopted, there will be impact to small businesses and such DHS rule changes would be considered by the Small Business Regulatory Review Board with the Department of Business, Economic Development, and Tourism.

DHS also informs the committee that in consultation with the Department of Accounting and General Services, Risk Management Office, that office would likely require an additional position to assist DHS in determining annually whether the individual insurance policies of over 1,000 child care facilities and homes would meet the standards DHS develops. DHS defers to DAGS on implementation and other issues.

The measure was amended by the Senate Committee on Human Services to have an effective date of January 1, 2019 which will give DHS adequate time for the department to determine appropriate amounts of coverage, to amend the relevant administrative rules, and to give providers adequate time to acquire the additional coverage.

Thank you for the opportunity to provide comments on this bill.

CPH Testimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 1:14 PM
To: CPH Testimony
Cc: wili_wili@yahoo.com
Subject: Submitted testimony for SB185 on Feb 28, 2017 10:30AM

LATE

SB185

Submitted on: 2/27/2017

Testimony for CPH on Feb 28, 2017 10:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
William Haines	Individual	Support	No

Comments: I strongly support the proposed requirement that all state licensed child care facilities must obtain and maintain liability insurance as a condition of licensure, temporary permission, or registration to operate a child care facility.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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baker4 - Mary Kate

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Cc: rnvfishing@gmail.com
Subject: Submitted testimony for SB185 on Feb 28, 2017 10:30AM

LATE

SB185

Submitted on: 2/27/2017

Testimony for CPH on Feb 28, 2017 10:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Roy N Morioka	Individual	Support	No

Comments: Strongly support as submitted in earlier testimony.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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