

Honolulu, Hawaii

APR 07 2017

RE: H.B. No. 407
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred H.B. No. 407, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the issuance of employer-sponsored high deductible health plans, if certain conditions are met;
- (2) Require maintenance of health savings accounts in conjunction with high deductible health plans; and
- (3) Specify that employers and health insurers, mutual benefit societies, and health maintenance organizations that buy or sell high deductible health plans remain subject to the Prepaid Health Care Act.

Your Committee received testimony in support of this measure from the University Health Alliance; Alexander & Baldwin, Inc.; JTB Hawaii, Inc.; Outrigger Hotels & Resorts; and twenty-two individuals. Your Committee received testimony in opposition to this measure from the Hawaii State AFL-CIO and International Longshore and Warehouse Union, Local 142. Your Committee received comments on this measure from the Department of the Attorney



General, Department of Labor and Industrial Relations, Hawaii Medical Service Association, and Kaiser Permanente Hawaii.

Your Committee finds that health savings accounts are authorized under federal law and can be used in combination with a high deductible health plan to afford employees and their families a tax-advantaged medical savings account. Health savings accounts offer federal and state tax benefits and the health savings account is portable, meaning unspent balances continue to accumulate over time and follow an employee if the employee changes jobs. 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. Accordingly, this measure permits health plans the option of offering a high deductible health plan, in conjunction with a health savings account, as long as another health insurance policy, which is compliant with the Prepaid Health Care Act, is also offered to each eligible employee.

Your Committee additionally finds that it is important for employees to be educated on the potential costs and benefits of any high deductible health plan that may be offered in conjunction with a health savings account. Your Committee notes that it is important that employees who choose a high deductible health plan do so voluntarily, and are not inappropriately steered toward such a plan if it is not in the employees' best interest. Amendments to address these concerns are therefore necessary.

Finally, your Committee notes that this measure contains a five-year sunset date, which gives the Legislature an opportunity to revisit this issue at a later date.

Your Committee has amended this measure by:

- (1) Deleting language that would have required an insurer, mutual benefit society, or health maintenance organization to ensure that employers offer a prepaid health care plan insurance policy that is not a high deductible health plan and a health savings account in conjunction with a high deductible health plan to each eligible insured;

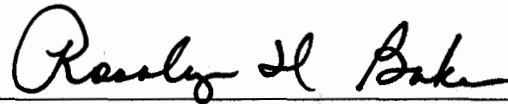


- (2) Specifying that an employer who provides a high deductible health plan in conjunction with a health savings account to a participating employee shall contribute an unspecified percent per pay period into the participating employee's health savings account maintained in conjunction with a high deductible health plan;
- (3) Clarifying that when a high deductible health plan is offered, sold, or renewed to employers, any such package that contains a high deductible health plan offered in conjunction with a health savings account must be approved as a prepaid group health plan pursuant to section 393-7(b), Hawaii Revised Statutes;
- (4) Specifying that each insurer, mutual benefit society, or health maintenance organization that offers, sells, or renews a high deductible health plan in conjunction with a health savings account shall file with the Insurance Commissioner a report containing the insurer's, mutual benefit society's, or health maintenance organization's educational information and marketing materials regarding any such health plan and health savings account that may be offered by the insurer and requiring the Insurance Commissioner to receive any related complaints from employees;
- (5) Clarifying that insurers, mutual benefit societies, and health maintenance organizations are not required to serve as the primary custodian or trustee of a health savings account; and
- (6) 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. 407, H.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 407, H.D. 3, S.D. 1, and be placed on the calendar for Third Reading.



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



ROSALYN H. BAKER, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:* HB407 HD3	Committee Referral: CPH	Date: 4/5/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley				/
ESPERO, Will		/		
IHARA, Jr., Les	/			
KIDANI, Michelle N.		/		
RUDERMAN, Russell E.		/		
TOTAL	3	3		1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"><i>Clarence K. Nishihara</i></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes