

STAND. COM. REP. NO.

2205

Honolulu, Hawaii

FEB 12 2018

RE: S.B. No. 2775
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 2775 entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH INSURANCE
GUARANTY ASSOCIATION,"

begs leave to report as follows:

The purpose and intent of this measure is to establish the
Hawaii Health Insurance Guaranty Association, an insurance
guaranty fund for Hawaii domestic medical service organizations
and health maintenance organizations.

Your Committee received testimony in support of this measure
from the Department of Commerce and Consumer Affairs. Your
Committee received comments on this measure from Kaiser Permanente
Hawaii; Hawaii Medical Service Association; Coalition of Health
Insurers (Aetna, Anthem, Cigna, Health Care Services Corporation,
and United); and American Council of Life Insurers.

Your Committee finds that Hawaii has two insurance guaranty
associations that provide payment mechanisms for eligible covered
claims when insurers are insolvent: the Hawaii Insurance Guaranty
Association, which covers direct property and liability contracts,
and the Hawaii Life and Disability Insurance Guaranty Association,
which covers life and accident and health or sickness insurance
policies and insurance contracts.



Your Committee further finds that under the Hawaii Life and Disability Insurance Guaranty Association's existing structure, if a mutual benefit society, health maintenance organization, or dental insurer becomes insolvent, the policy members of those insurers will be unable to access any relief through the Hawaii Life and Disability Insurance Guaranty Association. This measure therefore creates the Hawaii Health Insurance Guaranty Association, closely modeled on the organizational structure of the Hawaii Life and Disability Insurance Guaranty Association, as a way to provide relief to those affected members should an insolvency occur.

According to testimony from the Department of Commerce and Consumer Affairs, this measure requires mutual benefit society and health maintenance organization members to be responsible for similar members' health insurance insolvencies, while dental insurers are to be responsible for dental insurer insolvencies, an important separation necessary to ensure that dental insurers are not assessed for health insurers' insolvencies and vice versa. Your Committee notes that this measure protects health and dental insurance policyholders and health care providers and also encompasses agents, service providers, and other creditors in cases of medical service organization, health maintenance organization, or dental insurer financial insolvencies, where no protection mechanism existed before.

Your Committee has amended this measure by 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 S.B. No. 2775, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2775, 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

ROSALYN H. BAKER, Chair



