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February 12, 2018

TO: The Honorable Representative Roy M. Takumi, Chair  
House Committee on Consumer Protection and Commerce

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 2530 HD1 – RELATING TO CHILD CARE**

Hearing: Monday, February 12, 2018, 2:00 p.m.  
Conference Room 329, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) is in strong support of HB2530 HD1 as it is consistent with the administration's proposed HB2360/SB2787.

**PURPOSE:** The purpose of HB2530 HD1 is to amend section 346-157, Hawaii Revised Statute (HRS), to remove the requirement that DHS determine the amount of liability insurance coverage required by regulated child care providers; amend sections 3 and 5 of Act 161, Session Laws of Hawaii (SLH) 2017, to remove a reporting requirement, and extends the implementation and enforcement of Act 161, SLH 2017, until July 1, 2019.

The primary focus of the DHS child care licensing program is on the health and safety of all children in child care. The intent of Act 161, SLH 2017, was to strengthen minimum standards of child care to improve health and safety of children by requiring child care providers to obtain and maintain liability insurance coverage. Prior to Act 161, SLH 2017, DHS was prohibited from requiring regulated child care providers to obtain and maintain liability insurance coverage. Act 161 is currently in effect, that is regulated child care providers are required to have liability insurance coverage. However, Act 161 delays enforcement of this provision by DHS.



YUKI MATSUDA

DHS submitted its report to the twenty-ninth Hawaii State Legislature 2018 in accordance with section 3 of Act 161, SLH 2017. The information DHS obtained through meetings with insurance industry providers, indicates that a variety of insurance products, coverage, exclusions and premiums are available for purchase. Injury from sexual molestation would be excluded from all coverage.

DHS also conducted outreach efforts through its contractor to conduct surveys and convene in-person meetings statewide. Child care providers also contacted members of the Legislature, DHS child care licensing offices, and the Child Care Program Office to ask questions and express their concerns regarding the provisions of Act 161, SLH 2017. Feedback from child care providers indicated that current insurers may not renew existing homeowner policies if child care is being provided on the premises. Child care providers also indicated that home-based child care providers were considering not being registered with DHS due to the new insurance requirement of Act 161, SLH 2017.

DHS expressed concern last session that one potential impact of requiring liability coverage would be a reduction of the number of child care providers willing to provide services, as previously maintaining liability coverage was not required. As of the end of December 2017, Hawaii has about 350 independent home-based child care providers which is a 12 percent decrease of the number of homes that were regulated at the end of December 2016.

Information obtained from other states that require liability insurance coverage indicates that most states only require providers to produce evidence of insurance, and minimum coverage amounts are not established within the child care regulatory requirements. Child care providers did raise privacy concerns as to the amount of information they are required to provide to parents as part of maintaining insurance coverage.

DHS is not the appropriate entity to determine the amount of coverage to be maintained by independent small businesses as DHS does not have expertise in the field of establishing liability insurance coverage.

The issue to balance child safety, which is not necessarily addressed by maintaining liability insurance coverage, and providing parents additional assurance or



confidence that their child is in a high quality care, requires further study to determine the best way to provide access to affordable child care, access to affordable insurance coverage, and maintain safe, child care throughout the state.

This bill also amends the effective date of Act 161, delaying the implementation and enforcement dates to July 1, 2019 or later.

Thank you for the opportunity to testify on this measure.