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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2017

Tuesday, March 14, 2017  
8:30 a.m.

**TESTIMONY ON SENATE BILL NO. 954, S. D. 1 – RELATING TO HEALTH INSURANCE.**

TO THE HONORABLE DELLA AU BELATTI, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department strongly supports this Administration bill.

The Department is aware that there are national insurers that will be entering liquidations on the Mainland, or have done so, and their insolvencies will greatly affect local policyholders, providers, and the Hawaii Life and Disability Insurance Guaranty Association (“HLDIGA”) under chapter 431, article 16, Hawaii Revised Statutes (“HRS”). Prior experience through the State’s involvement with domestic and other national liquidations, past and present, shows the impact of these liquidations will be great.

This bill’s various provisions seek to better prepare insurers, policyholders, providers, and HLDIGA for future liquidations, as well as update existing statutes to conform with recent changes in the law.

SECTION 1 of the bill proposes to require health care providers to continue providing services during the insolvency of a health insurer by adding a new section to chapter 431, article 10A, part I, HRS. Chapters 432 and 432D, HRS, have similar

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existing provisions to ensure insureds have access to treatment when an insurer goes insolvent.

SECTION 2 of the bill moves and amends the short-term health insurance pre-existing disclosure requirement currently in §431:10-104(5), HRS, to the new section proposed in SECTION 1 as a more appropriate placement in the Insurance Code for this statute, and amends §431:10-104(5) by removing the disclosure requirement.

SECTIONS 3, 13, and 15 of the bill correct a technical drafting error in the definition of "perceived gender identity" by amending §§ 431:10A-118.3(e), 432:1-607.3(e), and 432D-26.3(e), HRS.

SECTIONS 4, 5, and 7 of the bill add dental as part of HLDIGA by amending §§ 431:16-202(a), 431:16-203(b) and (c), 431:16-206, and 431:16-208, HRS, as dental insurers are currently recognized by the Patient Protection and Affordable Care Act.

Currently, dental insurers like the Hawaii Dental Service ("HDS") are subject to HLDIGA and may be assessed by the guaranty association in liquidations of health insurers, even those which write comprehensive medical with no dental insurance coverage. The creation of a dental category would allow HLDIGA to place HDS, and other insurers which write dental coverages, into a new guaranty association dental insurance category for the purposes of assessment.

SECTION 6 of the bill amends the definition of "supplemental contract" to include dental agreements.

SECTIONS 8, 9 and 10 of the bill clarify that HLDIGA assign and notify member insurers of their respective assignments to specific accounts for assessment purposes.

SECTIONS 11, 12, and 14 of the bill propose amending language providing protection to healthcare providers in case of a health insurer's insolvency.

SECTION 16 contains Ramseyer language and SECTION 17 sets forth July 1, 2050 as an effectuation date. We are respectfully requesting that the effectuation date be amended to July 1, 2017.

We thank the Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

kobayashi2 - Jessi

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, March 12, 2017 6:20 PM  
To: HLTtestimony  
Cc: mgolojuch@hotmail.com  
Subject: Submitted testimony for SB954 on Mar 14, 2017 08:30AM

**SB954**

Submitted on: 3/12/2017

Testimony for HLT on Mar 14, 2017 08:30AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Golojuch Jr	LGBT Caucus of the Democratic Party of Hawaii	Support	Yes

Comments: The LGBT Caucus of the Democratic Party of Hawaii supports SB 954. This is a needed piece of legislation.

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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TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS  
COMMENTING ON SENATE BILL 954, SD1, RELATING TO HEALTH INSURANCE

March 14, 2017

Via e mail: [hlttestimony@capitol.hawaii.gov](mailto:hlttestimony@capitol.hawaii.gov)

Honorable Representative Dela Au Belatti, Chair  
Committee on Health  
State House of Representatives  
Hawaii State Capitol, Conference Room 329  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Belatti and Committee Members:

Thank you for the opportunity to provide comments on Senate Bill 954, SD1, relating to health insurance.

The American Council of Life Insurers ("ACLI") is a Washington, D.C., based trade association with approximately 290 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 94 percent of industry assets, 93 percent of life insurance premiums, and 97 percent of annuity considerations in the United States. Two hundred twenty-two (222) ACLI member companies currently do business in the State of Hawaii; and they represent 96% of the life insurance premiums and 99% of the annuity considerations in this State.

The bill proposes legislation that includes amendments to the State's guaranty association laws set forth in Article 16 of Hawaii's Insurance Code. Hawaii is one of 43 states in the country, along with the District of Columbia, that have adopted guaranty association legislation that is substantially similar to the NAIC's Life and Health Insurance Guaranty Association Model Act ("Model").

The ACLI strongly supports the Model as it contains sound provisions that promote effective solvency regulation in each state. The ACLI and the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") will continue to reach out to the remaining seven states to convey to them the importance of adopting legislation that is substantially similar to the Model.

It is also important that the states that already have guaranty association laws that are substantially similar to the Model not enact new or amended provisions that would materially deviate from the Model. Otherwise, the goal of achieving uniformity among the states would be significantly diminished. In addition, the adoption of such material deviations could affect some states' NAIC accreditation status.

Senate Bill 954, SD1, contains several guaranty association-related provisions that materially deviate from the Model. As a result, we have no choice but to oppose these provisions and respectfully ask that they be removed from the bill. These provisions relate to:

**(1) The creation of a new assessment account for dental insurance** (Included in Section 7)

Claims relating to dental insurance are already paid from the association's accident and health or sickness insurance assessment account, so there is no need to create a separate assessment account for this type of specific insurance. In fact, doing so could create a capacity problem in the event a large dental insurer becomes insolvent, since the assessment base of the remaining dental insurers may not be sufficient to cover outstanding claims. Currently, dental insurance claims are paid from a much higher assessment base of all health insurers who do business in the state.

In addition, we do not support the carving out of any specific products (e.g., dental insurance, structured settlement annuities, term life insurance) from any of the association's three existing assessment accounts (life insurance, accident and health or sickness insurance, and annuities) as it would reduce the assessment capacity of the effected account in the event of a large-scale insolvency. The Model purposely created broad assessment accounts for this very reason. The creation of a separate account for dental insurance would be considered a material deviation from the Model; and we are not aware of any other states that have created such a separate account. Accordingly, the ACLI respectfully requests that Section 7, which begins on page 14, at line 14 through and including line 21, and continues on page 15 of the bill, at lines 1 through and including line 9, be amended as follows:

“(a) There is created a nonprofit legal entity to be known as the Hawaii Life and disability insurance guaranty association. All member insurers shall remain members of the association as a condition of their authority to transact insurance in this state. . . For purposes of administration and assessment the association shall maintain ~~four~~ three accounts:

- (1) The life insurance account;
- (2) The accident and health or sickness insurance account; and
- (3) The annuity account; ~~and~~
- ~~(4) The dental insurance account.”~~

Further, separate reference in Sections 4, 5, 6 and 8 to dental insurers as member insurers of the Guaranty Association should be deleted.

When the bill was heard by the prior Senate Consumer Protection and Health Committee, the Insurance Commissioner states in his written testimony: “. . . dental insurers are currently recognized by the Patient Protection and Affordable Care Act.” Accordingly as dental insurance is deemed under the Affordable Care Act to be health insurance ACLI submits that separate reference to dental insurance in Sections 4, 5, 6 and 8 of the bill is unnecessary.

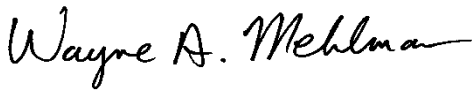
**(2) The creation of a new \$3,000 annual coverage limit for dental insurance benefits** (Included in Section 5)

As stated above, there is no need to create a separate assessment account for dental insurance since such claims are already paid from the accident and health or sickness account. Similarly, there is no need to create a separate coverage limit for dental insurance benefits since (1) such benefits are already included within the \$500,000 coverage limit for “basic hospital, medical, and surgical

insurance or major medical insurance” and (2) we are not aware of any compelling reason to limit dental insurance benefits to \$3,000 per year (or of any other state that has a separate coverage limit for dental insurance). The creation of a separate coverage limit for dental insurance benefits would be considered a material deviation from the Model. Accordingly, ACLI respectfully requests that the annual \$3,000 benefit coverage specified for dental insurance set forth in Section 5 of the bill on page 13 at line 17, be deleted.

Again, thank you for the opportunity to comment on Senate Bill 954, SD1, and we look forward to working with you on this important legislation. If you have any questions, feel free to call me at (202) 624-2135.

AMERICAN COUNCIL OF LIFE INSURERS

A handwritten signature in black ink that reads "Wayne A. Mehlman". The signature is written in a cursive, flowing style.

Wayne Mehlman  
Senior Counsel, Insurance Regulation



March 14, 2017

The Honorable Della Au Belatti, Chair  
The Honorable Bertrand Kobayashi, Vice Chair  
House Committee on Health

Re: SB 954, SD1 – Relating to Health Insurance

Dear Chair Belatti, Vice Chair Kobayashi, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 954, SD1, which amends the Insurance Code to subject mutual benefit societies to the requirements of the Hawaii Life and Disability Guaranty Association statute. HMSA has concerns with this measure, and we offer comments.

HMSA appreciates the amendments already included in SB 954, SD1, which restores the exemption of mutual benefit societies from the definition of “member issuer” for purposes of the Hawaii Life and Disability Guaranty Association. However, to fully actualize that exemption, an additional amendment is required. We ask that the Committee consider deleting Section 12 of the Bill. HRS §432:1-102(b) lists the portions of the Insurance Code expressly applicable to mutual benefit societies. Section 12 of the Bill adds HRS §431:16 to that list, subjecting mutual benefit societies to the Life and Disability Guaranty Fund provisions.

We seriously are concerned that SB 954, SD1, would require HMSA to contribute to a Guaranty Association to subsidize the potential liabilities incurred by the insolvency of another health plan. The State’s Mutual Benefit Society Act already includes deposit protections in HRS § 432:1-407(b), to protect our members in the event of insolvency. Health plans are already subject to the stringent solvency requirements of the NAIC. As an affiliate of the Blue Cross Blue Shield Association, HMSA is held to additional risk-based capital and reserve standards. Even with these stringent standards, 92% of our member’s premiums go to paying for their medical services and only 8% to administrative costs, federal taxes, and reserve requirements – far exceeding the 80% federal ACA standard.

Thank you for the opportunity to testify on this measure. Your consideration of our concern is appreciated.

Sincerely,

Jennifer Diesman  
Vice President, Government Relations