

SB 3050

Measure Title: RELATING TO HEALTH INSURERS ASSESSMENTS.

Report Title: Hawaii Health Connector; Sustainability Fee

Description: Establishes the Hawaii health connector sustainability trust account.
Authorizes the commissioner to levy a Hawaii health connector sustainability fee on all issuers selling plans inside and outside of the health insurance exchange.

Companion:

Package: None

Current Referral: CPN, WAM

Introducer(s): GREEN, Baker



EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION

The Hon. Rosalyn Baker, Chair

The Hon. Brian T. Taniguchi, Vice Chair

February 5, 2014, 9:00 a.m., Room 229

**Comments: SENATE BILL 2471, RELATING TO TAXATION
SENATE BILL 3050, RELATING TO HEALTH INSURERS ASSESSMENTS**

Presented by Beth Giesting, Healthcare Transformation Coordinator, Office of the Governor

The Governor's Office appreciates the opportunity to provide comments on these two measures:

Remittance to the Connector. The process of making payments to a nonprofit corporation is unusual for the State and we continue to work with this committee to arrive at a solution that will address the Hawaii Health Connector's funding needs by January 2015. Addressing those needs may require a start-up appropriation, since establishing either a taxation or assessment process is expected to require a year or more, as noted below.

Carrying out the tax or insurer assessment. SB 2471 assigns responsibility to the Department of Taxation for collecting a 2/3rds of 1% tax on gross premiums for sales of qualified dental and other health insurance. Alternatively, SB 3050 imposes an assessment based on the number of individuals covered by each insurer to be collected by and in an amount prescribed by the Insurance Commissioner in response to a budget request submitted by the Connector. While arguments can be made on both sides for which agency would be most appropriate to manage these responsibilities, both estimate that it would require at least a year and up to 18 months to establish the process and collect the fees. Whichever agency is chosen by the Legislature to carry out this program will also require additional staff and resources, an estimate for which will be developed.

We also note that a fee based on premiums would better accommodate cost inflation over time than one imposed on covered lives, which would be more static. The former strategy would need less adjustment to meet funding needs if they increase over time than the latter.

Thank you for the opportunity to comment on these measures.



HAWAII HEALTH
CONNECTOR

The Honorable Rosalyn H. Baker
Chair, Committee on Commerce and Consumer Protection

Re: Testimony regarding S.B. 3050, Relating to the Health Insurers Assessments.

Hearing scheduled for February 5, 2014, at 9:00 a.m.

Chair Baker and members of the Committee on Commerce and Consumer Protection,

My name is Tom Matsuda, Interim Executive Director of the Hawai'i Health Connector (the "Connector"), speaking on behalf of the Connector and its Board of Directors.

The Connector Board sincerely appreciates the desire of the sponsors of SB 3050 to find an effective method to financially support the ongoing operations and sustainability of the Connector. We are grateful that members of the Legislature see the value of the Connector to provide the people of Hawai'i with an important opportunity to take advantage of changes in the health insurance marketplace, with greater access to information, enrollment, and tax credits that can make plans more affordable.

The Connector would like to be an information resource to this Committee to support the deliberations on SB 3050 so that there is a full understanding of the services we are providing to the public and the future potential of this organization to help improve healthcare in our state. In addition, we are committed to working closely with the Legislature and the State Administration to help understand the impact of the proposals in this bill on the Connector's operations, budget, and future sustainability.

We also understand that any decision on issuer fees to support the Connector must be balanced against the cost impacts on consumers, businesses, issuers, and the insurance market. As part of that policy discussion, it is up to us at the Connector to improve our operations and enrollment processes, and to continually demonstrate the value of our services to the public.

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



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Commerce and Consumer Protection

The Hon. Rosalyn H. Baker, Chair

The Hon. Brian T. Taniguchi, Vice Chair

Testimony on Senate Bill 3050

Relating to Health Insurers Assessments

Submitted by Robert Hirokawa, Chief Executive Officer

February 5, 2014, 9:00 am, Room 229

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, would like to offer comments on Senate Bill 3050, which seeks to establish a health connector sustainability trust fund and issue fees on all plans in the state, regardless if they operate in or out of the connector.

The HPCA supports the intent of this measure, which is to ensure long-term sustainability of the Hawaii Health Connector. The Connector was formed as a health insurance exchange under the Affordable Care Act, which provided federal dollars for its construction and initial implementation. In addition, the Act charged health exchanges with providing an open and accessible marketplace for all consumers to compare and purchase health insurance. If different fees are assessed to those plans offering products in or out of the Connector, it prohibits equal footing purchasing from occurring. Plans are discouraged from participating in the Connector by the assessment of heavier fees. This prohibits both the Connector from achieving the original intent of its creation as well as consumers from achieving maximum purchasing leverage.

However, the HPCA has concerns with allowing fees to be levied at a varying level each year based on the Connector's needs for sustainability. It is our concern that any change in price from year to year will be imposed directly onto consumers in the form of higher premiums, thus minimizing the original intent of the an insurance exchange.

The HPCA thanks you for the opportunity to offer these comments and urges you to move the bill forward for further consideration.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Hawaii health connector sustainability fee

BILL NUMBER: SB 3050

INTRODUCED BY: Green and 1 Democrat

BRIEF SUMMARY: Adds a new section to HRS chapter 431:2 to providing that beginning on July 1, 2015, and each July 1 thereafter, the insurance commissioner shall assess a Hawaii health connector sustainability fee upon each insurer, on a pro rata basis, based upon the number of individuals covered by each insurer on the preceding December 31, excluding individuals covered under Medicaid. The fee may be assessed on each dental insurer at a level up to ___% of the fee assessed on all other insurers. The total of all revenues collected from the fee shall not exceed the amount of funding required to finance the operations and cash reserve of the Hawaii health connector.

Establishes a trust account within the compliance resolution fund to be designated as the Hawaii health connector sustainability trust account into which all moneys from the connector sustainability fee shall be deposited. Moneys from the account shall only be used to support the administration, operations, and prudent cash management of the Hawaii health connector.

By April 1 of each year, the board of directors of the connector shall inform the insurance commissioner of the amount of funding required to finance the operations and cash reserve of the connector for each ensuing fiscal year beginning on July 1; provided that the balance of the cash reserve does not exceed the value of the cost of three months of administering and operating the connector.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: While Act 205, SLH 2011, established the Hawaii Health Connector (HHC) as a nonprofit corporation, there are proposals under consideration to change the HHC into a state entity. Since the HHC is in its initial early organizational development stage, the adoption of this measure establishing a fee to be imposed on insurance providers at this time may be premature. It should be noted that the board of directors of the HHC is currently formulating a sustainability plan for the HHC. In addition, whether the HHC becomes a state agency will also affect the amount of operational expenses necessary to keep the HHC viable.

While this measure would allow the insurance commissioner to impose a fee on insurers, it should be noted that the amount of the fee, as proposed in this measure, will fluctuate depending on the number of individuals covered by each insurer in the prior year; provided the amount of the revenues collected from the fee does not exceed the amount required to finance operations and cash reserves of the connector. While it appears that the Hawaii health connector has experienced two rate increases, and another possible rate increase due to the adoption of the measure, these fees will add to the cost of the products sold by insurers, ratcheting up the cost of health care in the state. If the HHC does become a state agency, consideration should be given to appropriating funds to this program area to ensure that it will be adequately funded.

Digested 2/3/14

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 5, 2014

The Honorable Rosalyn H. Baker, Chair
The Honorable Brian T. Taniguchi, Vice Chair
Senate Committee on Commerce and Consumer Protection

Re: SB 3050 – Relating to Health Insurers Assessments.

Dear Chair Baker, Vice Chair Taniguchi and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 3050, which authorizes the State Insurance Commissioner to assess a fee on all health insurers to finance the operations and cash reserve of the Hawaii Health Connector. HMSA supports this Bill.

The Affordable Care Act (ACA) mandates health insurance exchanges to be self-sustaining beginning in January 2015. To address this, the Hawaii Health Connector (Connector) authorized a two percent rate increase on all health plans sold to individuals only through the Connector beginning January 1, 2014, and an additional two percent rate increase on all plans sold to small businesses only through the Connector, beginning July 1, 2014.

While those rates only apply to plans sold through the Connector, the ACA requires us to sell our products outside of the Connector at the same price as we sell them through the Connector. Consequently, those insurers who do not sell products through the Connector are afforded a competitive advantage in the market outside of the Connector. And, there simply is no incentive for issuers to participate in the Connector, resulting in reduced competition in the Connector.

The long-term sustainability plan for the Connector must promote competition, while ensuring equity amongst the competitors. SB 3050 offers that balanced sustainability model. The State Insurance Commissioner already is tasked with ensuring a competitive health insurance market with reasonable rates for consumers. Allowing the Commissioner to set rates annually to finance the Connector further would ensure Hawaii can maintain a competitive health insurance market with reasonable rates, while sustaining the health insurance exchange market.

Thank you for the opportunity to testify in support of SB 3050.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD' followed by a long horizontal stroke.

Jennifer Diesman
Vice President
Government Relations

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

February 3, 2014

Honorable Rosalyn H. Baker, Chair
Honorable Brian T. Taniguchi, Vice Chair
Committee on Commerce and Consumer Affairs
The Senate
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Re: S.B. NO. 3050 RELATING TO HEALTH INSURERS ASSESSMENTS

Dear Chair Baker, Vice Chair Taniguchi, and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written comments on Senate Bill No. 3050, relating to health insurers assessments, which is to be heard by your Committee on Commerce and Consumer Affairs on February 5, 2014.

The purpose of Senate Bill No. 3050 is to provide a funding mechanism for the Hawai'i Health Connector that also eliminates any competitive advantage to health insurance plans that are sold outside of the Connector over health insurance plans that are sold within the Connector. Specifically, Senate Bill No. 3050 would require that health insurance plans sold outside of the Connector pay the same fee as plans sold within the Connector. However, as drafted Senate Bill No. 3050 may be broad enough to apply to certain types of limited benefit health insurance policies that not only are not sold within the Connector, but not are even eligible for sale within the Connector because they are not "qualified plans" as defined in section 435H-1, Hawaii Revised Statutes.

Imposing the Connector fee on limited benefit health insurance policies that are not eligible for sale within the Connector will not further the goal of eliminating any competitive advantage between sales outside or within the Connector because none of these limited benefit health insurance policies are qualified for sale within the Connector. Instead, imposing the Connector fee on limited benefit health insurance policies would simply raise the costs of these types of plans to consumers even though there is no link between the Connector and these plans.

For the foregoing reasons, we respectfully request that subsection (c) of the new section to be added to article 2 of chapter 431 by Section 2 of Senate Bill No. 3050 be amended as follows:

(c) Any other provision notwithstanding, beginning July 1, 2015, and each July 1 thereafter, the commissioner shall assess upon each insurer offering or providing health benefits or services under article 10A of chapter 431, other than insurers offering only accident-only, specified disease, hospital indemnity, long-term care, disability, dental, vision, medicare supplement, or other limited benefit

Honorable Rosalyn H. Baker, Chair
Honorable Brian T. Taniguchi, Vice Chair
Committee on Commerce and Consumer Affairs
February 3, 2014
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health insurance contracts that are not "qualified plans" under section 435H-1, each mutual benefit society under article 1 of chapter 432, health maintenance organizations under chapter 432D, and each dental insurer under chapter 432G, a Hawaii health connector sustainability fee on a pro rata basis, based on the number of individuals covered by each insurer on the preceding December 31, excluding individuals covered under a medicare plan pursuant to title XIX of the Social Security Act, title 42 United States Code section 1396 et seq., being payable by the direct insurer covering the individual. At the discretion of the commissioner, the fee assessed to each dental insurer under chapter 432G may be set at a level up to ____ per cent of the fee assessed to all other insurers in this subsection. The total of all revenues collected from the fee shall not exceed the amount of funding required to finance the operations and cash reserve of the connector as specified in subsection (b).

(Additional language underscored.)

Thank you for your consideration of the foregoing.

Very truly yours,

MCCORRISTON MILLER MUKAI MACKINNON LLP



Peter J. Hamasaki

PJH:fk



**Testimony to the Senate Committee on Commerce and Consumer Protection
Wednesday, February 5, 2014 at 9:00 A.M.
Conference Room 229, State Capitol**

**RE: SENATE BILL 3050 RELATING TO HEALTH INSURERS
ASSESSMENTS**

Chair Baker, Vice Chair Taniguchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **expresses serious concerns on SB 3050 Relating to Health Insurers Assessments.**

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Our understating is that at the current year, the Hawaii Health Connector presently costs about \$15 million a year to operate. While we understand that per federal law the Connector has to be sustainable, we would suggest that the legislature look into the operational costs of the connector while moving this bill for continued discussion.

Ninety percent of the cost of an employee's health care premium is paid for by the employer. Most employers would be unable to pass all of these new costs onto the consumer.

Thank you for the opportunity to testify.