

Honolulu, Hawaii  
February 28, 2014

RE: H.B. No. 2529  
H.D. 3

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2529, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose and intent of this measure is to establish greater transparency and oversight for the Hawaii Health Connector ("Connector") and provide for its financial sustainability.

Among other things, this measure:

- (1) Specifies that the Connector is a nonprofit unincorporated entity that is an instrumentality of the State;
- (2) Changes the composition of the Connector board of directors;
- (3) Establishes a health insurers advisory group and an insurance producers advisory group to offer input and recommendations to the Connector board of directors;
- (4) Establishes the Connector legislative oversight committee to monitor the Connector's finances and operations;



- (5) Requires the Connector to submit an annual sustainability plan to the Insurance Commissioner and the Connector legislative oversight committee that includes a detailed budget, based upon zero-based budgeting principles, for the upcoming fiscal year;
- (6) Establishes the Hawaii Health Connector universal federally mandated sustainability fee that may be assessed by the Insurance Commissioner upon each insurer who sells health or dental insurance in the State, either through the Connector or outside of it, based upon the number of individuals covered by each insurer;
- (7) Requires the Insurance Commissioner to consider the recommendation of the Connector legislative oversight committee in setting the amount of the universal federally mandated sustainability fee each year;
- (8) Creates the Hawaii Health Connector sustainability special fund for the deposit of moneys received by the Connector, including the Hawaii Health Connector universal federally mandated sustainability fee;
- (9) Requires the Insurance Commissioner to transfer moneys from the Hawaii Health Connector sustainability special fund to the Connector to be used only for the administration, operation, and prudent cash management of the Connector;
- (10) Authorizes insurance agents and brokers who have been certified by the Insurance Commissioner to enroll individuals and employers in qualified plans through the Connector; and
- (11) Authorizes the Connector to raise revenue by charging fees to display advertisements for ancillary products on its website.

The Community Alliance for Mental Health and one individual provided testimony in support of this measure. The Office of Healthcare Transformation, Department of the Attorney General, Hawaii Health Connector, Hawaii Primary Care Association, The Chamber of Commerce of Hawaii, Hawaii Medical Service Association, National Association of Insurance and Financial Advisors - Hawaii, Hawaii Independent Insurance Agents Association, League of Women Voters of Hawaii, and the AARP provided comments.



Your Committee finds that the Hawaii Health Connector was established to implement health insurance reforms required by the federal Patient Protection and Affordable Care Act ("PPACA"). Your Committee believes that the governing structure of the Connector should include elements that allow for greater engagement with stakeholders, increased legislative review, and improved transparency of its operations. Your Committee also believes that it is necessary to establish a stable means of funding the Connector's ongoing operations that will enable it to address financial challenges and ensure its sustainability.

Your Committee has amended this measure by:

- (1) Specifying that the Connector legislative oversight committee will be dissolved on June 30, 2018;
- (2) Specifying that certified insurance agents and brokers shall be compensated for enrollments through the Connector in a manner to be determined by its board of directors;
- (3) Requiring the Connector to submit its annual sustainability plan to the Insurance Commissioner and the Connector legislative oversight committee no later than ninety days prior to the start of its fiscal year; provided that this requirement is imposed only until June 30, 2018;
- (4) Changing the maximum amount of cash reserve that may be specified by the Connector in its sustainability plan from three months to six months;
- (5) Requiring the annual sustainability plan to include the minutes of meetings of the consumer, patient, business, and health care advisory group, the health insurers advisory group, and the insurance producers advisory group, including the results of any votes taken, and any recommendations made by those advisory groups;
- (6) Clarifying that the Hawaii Health Connector universal federally mandated sustainability fee shall be collected on a pro rata basis from insurers and dental insurers;
- (7) Clarifying that the Insurance Commissioner, not the Connector legislative oversight committee, shall assess




the Hawaii Health Connector universal federally mandated sustainability fee;

- (8) Specifying that any fee assessed before July 1, 2018, upon insurers and dental insurers for the purpose of funding the operations and cash reserves of the Connector shall be void, except the Hawaii Health Connector universal federally mandated sustainability fee or any fee charged for displaying advertisements for ancillary services on the Connector's website;
- (9) Discontinuing the assessment and collection of the Hawaii Health Connector universal federally mandated sustainability fee on June 30, 2018;
- (10) Dissolving the Hawaii Health Connector sustainability special fund on June 30, 2018, and transferring any unencumbered and unexpended balance remaining in the special fund on that date to the general fund;
- (11) Requiring the Connector to be a nonprofit incorporated entity rather than an unincorporated entity;
- (12) Deleting the requirement that the Connector be an instrumentality of the State;
- (13) Specifying that no employee of a health insurer may be appointed to the Connector board of directors;
- (14) Deleting the requirement for two members of the Connector board of directors to be appointed by the health insurers advisory group and reducing the total number of members of the Connector board of directors from twelve to ten; and
- (15) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2529, H.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2529, H.D. 3.



Respectfully submitted on  
behalf of the members of the  
Committee on Finance,



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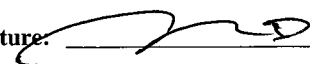
SYLVIA LUKE, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HSCR 904-14

**Record of Votes of the Committee on Finance**

<b>Bill/Resolution No.:</b> HB 2529, HD2	<b>Committee Referral:</b> HLT, CPC, FIN	<b>Date:</b> 2/27/2014		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	/			
2. NISHIMOTO, Scott Y. (VC)	/			
3. JOHANSON, Aaron Ling (VC)		/		
4. CULLEN, Ty J.K.	/			
5. HASHEM, Mark J.	/			
6. ING, Kaniela	/			
7. JORDAN, Jo		/		
8. KOBAYASHI, Bertrand	/			
9. LOWEN, Nicole E.	/			
10. MORIKAWA, Dee	/			
11. ONISHI, Richard H.K.	/			
12. TAKAYAMA, Gregg	/			
13. TOKIOKA, James Kunane		/		
14. WOODSON, Justin H.				/
15. YAMASHITA, Kyle T.	/			
16. FUKUMOTO, Beth		/		
17. WARD, Gene		/		
<b>TOTAL (17)</b>	11	5		1
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
<b>Vice Chair's or designee's signature.</b> 				
<b>Distribution:</b> Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				