

Honolulu, Hawaii

March 27, 2015

RE: S.B. No. 1028  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Sir:

Your Committees on Health and Consumer Protection & Commerce, to which was referred S.B. No. 1028, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH CONNECTOR,"

beg leave to report as follows:

The purpose of this measure is to ensure that the operations of the Hawaii Health Connector are in compliance with federal requirements for provider network adequacy and financial self-sufficiency by:

- (1) Requiring the qualified health plans offered through the Connector to meet the requirements of an essential community provider under federal law and to contract with federally-qualified health centers to provide covered health care services;
- (2) Authorizing the Connector to generate revenue through the issuance of debentures and the provision of benefit administration services for employer-based health plans that are not offered through the Connector and other ancillary products and services; and
- (3) Appropriating funds from the Emergency and Budget Reserve Fund to serve as a reserve for the all debentures issued by the Connector.



Your Committees received testimony in opposition to this measure from the Hawai'i Lodging and Tourism Association, Maui Chamber of Commerce, Hawaii Medical Service Association, Kaiser Permanente Hawaii, the Chamber of Commerce of Hawaii, and one individual. The Department of Commerce and Consumer Affairs, Department of Budget and Finance, Department of the Attorney General, and Hawaii Primary Care Association submitted comments.

Your Committees note the concerns raised in testimony by the Department of Budget and Finance regarding this measure's authorization for the State to guarantee debentures issued by the Hawaii Health Connector. The Department expressed concern that such guaranteed debentures would negatively affect the State's credit rating, thereby limiting its ability to raise capital through general obligation bonds, and trigger the requirement for a larger budget reserve pursuant to Article VII, section 13 of the Hawaii Constitution. Further, the Department expressed concern with the use of the Emergency and Budget Reserve Fund as the State's guarantee. Your Committees are in agreement with the Department regarding these issues. Accordingly, your Committees find that the issuance of debentures as contemplated by this measure would be imprudent at this time.

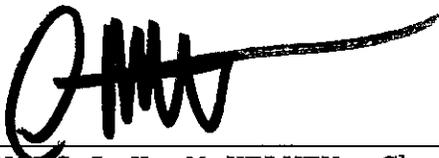
Your Committees have amended this measure by:

- (1) Amending language related to federal network adequacy standards and contract with federally-qualified health centers to conform to the requirements of federal implementing regulations;
- (2) Clarifying that the requirements to contract with federally-qualified health centers shall not affect or impair any existing insurer contracts;
- (3) Deleting all provisions related to authorizing the Connector to issue debentures and appropriating reserve funds;
- (4) Changing its effective date to July 1, 2112, to encourage further discussion; and
- (5) Making nonsubstantive technical amendments.



As affirmed by the records of votes of the members of your Committees on Health and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1028, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1028, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committees on Health and  
Consumer Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



DELLA AU BELATTI, Chair





