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# A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH CONNECTOR.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the federal Patient  
2 Protection and Affordable Care Act of 2010 (Affordable Care Act)  
3 requires states to establish health insurance exchanges to  
4 connect buyers and sellers of health and dental insurance and  
5 facilitate the purchase and sale of federally qualified health  
6 insurance plans and qualified dental plans. Hawaii's health  
7 insurance exchange, known as the Hawaii health connector  
8 (connector), stated in its January 2015 annual report that it is  
9 on the path to financial self-sustainability and could reach a  
10 surplus by 2022. However, increased engagement and  
11 participation by insurers in the connector will be a critical  
12 factor to increase enrollment and achieve self-sustainability as  
13 quickly as possible.

14           The legislature further finds that the Affordable Care Act  
15 allows states to elect to permit the sale of fully-insured large  
16 group health plans through state health exchanges. If a state  
17 chooses this option, the same insurance market reforms that  
18 currently apply to fully-insured group health plans purchased by



1 small employers will apply to the fully-insured large group  
2 health insurance market. Enabling the connector to offer large  
3 group coverage to insurers is one option for increased insurer  
4 participation in the connector.

5 The legislature additionally finds that states currently  
6 have the option to permit health insurers to continue certain  
7 insurance policies that would otherwise be canceled due to the  
8 requirements of the Affordable Care Act. These transitional  
9 renewal policies, also known as grandmothers health plans,  
10 contain only some of the features of the Affordable Care Act but  
11 are not considered out of compliance with certain reforms of the  
12 Act, if specific conditions are met. States may not extend  
13 these plans to policy years beginning after October 1, 2016, but  
14 may elect to end the transitional period at an earlier date.  
15 Ending transitional renewal policies by January 1, 2016, will  
16 increase the number of individuals and small businesses that  
17 could compare plans offered through the connector and will  
18 ensure that all plans offered in Hawaii are fully compliant with  
19 the Affordable Care Act.

20 The legislature also finds that under the federal  
21 Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA),



1 employers sponsoring group health plans to covered employees  
2 must provide an initial notice about the ability to continue  
3 insurance coverage under COBRA. The federal Department of Labor  
4 also requires employers covered by the Fair Labor Standards Act  
5 to provide written notice to employees about potential insurance  
6 coverage available through state health insurance marketplaces.  
7 Requiring health insurers to provide notice about the connector  
8 will therefore ensure that more people are aware of their health  
9 insurance options under COBRA and the connector.

10 The legislature further finds that section 1304(b)(2) of  
11 the Affordable Care Act defines a small employer as an employer  
12 who employs an average of at least one but not more than one  
13 hundred employees. Amending the definition of "small employer"  
14 in section 431:2-201.5, Hawaii Revised Statutes, to conform to  
15 the definition in section 1304(b)(2) of the Affordable Care Act  
16 may help expand the potential market for small businesses in the  
17 connector's small business health options program.

18 The purpose of this Act is to:

19 (1) Enable the Hawaii health connector to offer large  
20 group coverage to insurers, beginning January 1, 2017;



- 1 (2) End transitional renewal policies, beginning
- 2 January 1, 2016;
- 3 (3) Require health insurers to provide notice to group
- 4 health plans offering continuation coverage about
- 5 options to secure affordable coverage under the
- 6 connector; and
- 7 (4) Expand the potential small businesses market in the
- 8 connector by amending the current definition of "small
- 9 employer" under section 431:2-201.5, Hawaii Revised
- 10 Statutes.

11 SECTION 2. Chapter 435H, Hawaii Revised Statutes, is  
 12 amended by adding three new sections to be appropriately  
 13 designated and to read as follows:

14 "§435H- Large group coverage. Beginning on January 1,  
 15 2017, the State shall allow the connector to offer large group  
 16 coverage to insurers, as permitted in section 1312(f)(2)(B) of  
 17 the Federal Act.

18 §435H- Transitional renewal policies. Beginning  
 19 January 1, 2016, the State shall cease permitting transitional  
 20 renewal policies issued by insurers. All policies issued or  
 21 renewed after this date shall be in compliance with the Federal



1 Act, including the requirements of sections 2701, 2702, 2703,  
2 2704, 2705, 2706, 2707, and 2709 of the Federal Act.

3 §435H- Consolidated Omnibus Budget Reconciliation Act;  
4 notification. In addition to the requirements under the federal  
5 Consolidated Omnibus Budget Reconciliation Act of 1985, all  
6 insurers shall provide notice to group health plans that offer  
7 continuation coverage to employees, former employees, spouses,  
8 former spouses, and dependent children regarding options to  
9 secure affordable coverage through the connector, including the  
10 official website, telephone number, similar health insurance  
11 plans, and the availability of advance premium tax credits and  
12 cost-sharing reductions."

13 SECTION 3. Section 431:2-201.5, Hawaii Revised Statutes,  
14 is amended by amending subsection (b) to read as follows:

15 "(b) The following definitions shall be used when applying  
16 title 42 United States Code section 300gg, et seq.:

17 "Employee" means an employee who works on a full-time basis  
18 with a normal workweek of twenty hours or more.

19 "Group health issuer" means all persons offering health  
20 insurance coverage to any group or association, but shall not  
21 include those persons offering benefits exempted from title I of



1 the Health Insurance Portability and Accountability Act of 1996,  
2 P.L. 104-191, under sections 732(c) and 733(c) of title I of the  
3 Employee Retirement Income Security Act of 1974 and sections  
4 2747 and 2791(c) of the Public Health Service Act.

5 "Small employer" means, in connection with a group health  
6 plan with respect to a calendar year and a plan year, an  
7 employer who employed an average of at least one but no more  
8 than [~~fifty~~] \_\_\_\_\_ employees on business days during the  
9 preceding calendar year and who employs at least one employee on  
10 the first day of the plan year."

11 SECTION 4. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2020.



**Report Title:**

Hawaii Health Connector; Insurers; Large Group Coverage;  
Transitional Renewal Policies; Notification; Small Employers

**Description:**

Enables the Hawaii health connector to offer large group coverage to insurers, beginning January 1, 2017. Beginning January 1, 2016, ends transitional renewal policies in Hawaii. Requires health insurers to provide notice to group health plans offering continuation coverage about options to secure affordable coverage under the connector. Expands the potential small businesses market in the connector by amending the current definition of "small employer" under section 431:2-201.5, Hawaii Revised Statutes. Effective 07/1/2020. (SD1)

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