

STAND. COM. REP. NO. 991

Honolulu, Hawaii

MAR 24 2015

RE: H.B. No. 1467  
H.D. 2  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 1467, H.D. 2, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Enable the Hawaii Health Connector (Connector) to offer large group coverage to insurers, beginning January 1, 2017;
- (2) End transitional renewal policies, beginning January 1, 2016;
- (3) Require health insurers to provide notice to group health plans offering continuation coverage about options to secure affordable coverage under the Connector;
- (4) Expand 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;
- (5) Require insurers with a small group market share that exceeds twenty percent of the State's market to offer



specified gold and platinum level qualified health plan coverage through the Connector; and

- (6) Require health insurers offering qualified plans to offer the opportunity to contract for services covered by the qualified plan to any willing federally-qualified health center.

Your Committee received testimony in support of this measure from the Hawai'i Primary Care Association and one individual. Your Committee received testimony in opposition to this measure from the Hawaii Medical Service Association, Kaiser Permanente Hawaii, Hawaii Association of Health Plans, and Chamber of Commerce Hawaii. Your Committee received comments on this measure from the Department of the Attorney General, Department of Commerce and Consumer Affairs, and Department of Human Services.

Your Committee finds that this measure offers several options to strengthen the Connector, including ending transitional renewal policies on January 1, 2016. Your Committee notes that transitional renewal policies, also known as grandmothers health plans, do not provide all of the features and protections of the federal Patient Protection and Affordable Care Act of 2010 (Affordable Care Act). Ending these transitional renewal policies on January 1, 2016, will simplify health plan choices for individuals and small businesses and will ensure that all plans offered in Hawaii are fully compliant with the Affordable Care Act.

Your Committee further finds that this measure requires a health plan issuer to offer to contract with any willing federally qualified health center (FQHC) for the provision of services and requires the issuer to reimburse the FQHC at Medicaid rates as a condition of certification by the Insurance Commissioner. However, your Committee has heard concerns raised by the Department of the Attorney General that this measure establishes criteria for certification of a qualified health plan that does not allow the flexibility for a health plan issuer to choose which FQHC it would offer to contract with or negotiate and mutually agree upon rates, other than the Medicaid reimbursement rate, which is inconsistent with federal law.

Your Committee additionally finds that this measure requires an insurer who has over twenty percent of the small group market to participate in the Connector's small business health options



program (SHOP). However, your Committee has also heard the concerns that this requirement may place that insurer at a competitive disadvantage against other insurers who are not subject to the twenty percent market share threshold. Your Committee has also heard testimony that mandatory participation in SHOP may raise certain constitutional concerns.

Your Committee notes that the companion to this measure, S.B. No. 1338, S.D. 2 (Regular Session of 2015), which was previously passed by the Senate, also offers a number of options to strengthen the Connector, including enabling the Connector to offer large group coverage to insurers, ending transitional renewal policies in the State, requiring health insurers to provide notice about options for affordable coverage under the Connector, and changing the definition of "small employers" in Hawaii. The language proposed by S.B. No. 1338, S.D. 2, will provide for a stronger Connector and a better marketplace for consumers and is preferable because it does not include the provisions regarding FQHCs or mandatory SHOP participation proposed by this measure, which raised concerns during testimony.

Accordingly, your Committee has amended this measure by:

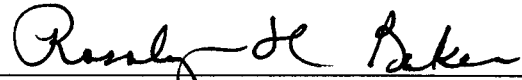
- (1) Deleting its contents and inserting the contents of S.B. No. 1338, S.D. 2, a substantively similar measure, which:
  - (A) Enables the Connector to offer large group coverage to insurers, beginning January 1, 2017;
  - (B) Ends transitional renewal policies, beginning January 1, 2016;
  - (C) Requires health insurers to provide notice to group health plans offering continuation coverage about options to secure affordable coverage under the Connector;
  - (D) Expands the potential small businesses market in the Connector by changing the threshold number of employees under the definition of "small employer" in section 431:2-201.5, Hawaii Revised Statutes, from fifty employees to an unspecified number of employees; and



- (E) Includes an effective date of July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1467, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1467, H.D. 2, S.D. 1, and be referred to the Committees on Judiciary and Labor and Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,




---

ROSALYN H. BAKER, Chair



The Senate  
 Twenty-Eighth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1467 HD2	CPN, JDL/WAM	3/17/15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)	✓			
KAHELE, Gilbert	✓			
KIDANI, Michelle N.				✓
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	5	0	1	1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes