

Honolulu, Hawaii

MAR 03 2017

RE: S.B. No. 954
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 954 entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURANCE,"

begs leave to report as follows:

The purpose and intent of this measure is to make various
updates to title 24, Hawaii Revised Statutes, including:

- (1) Requiring health care providers to continue providing services during a health insurer insolvency;
- (2) Moving the short-term health insurance preexisting disclosure requirement to a more appropriate article in the Insurance Code;
- (3) Correcting a technical error in the definition of "perceived gender identity";
- (4) Clarifying that health insurers are part of the Hawaii Life and Disability Insurance Guaranty Association; and
- (5) Making housekeeping amendments.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs and LGBT Caucus of the Democratic Party of Hawai'i. Your Committee received



comments on this measure from the Hawaii Medical Service Association and American Council of Life Insurers.

Your Committee finds that when an insurer enters liquidation, that insolvency can greatly affect policyholders and providers. This measure seeks to better prepare insurers, policyholders, providers, and the Hawaii Life and Disability Insurance Guaranty Association for future liquidations by, among other things, requiring a health care provider to continue providing services during the insolvency of a health insurer.

Your Committee has heard the concerns that this measure subjects mutual benefit societies and health maintenance organizations to the requirements of the Hawaii Life and Disability Insurance Guaranty Association. According to testimony received by your Committee, there is concern that this would require large group insurers to subsidize potential liabilities incurred by the insolvency of another health plan. This measure also proposes to amend the definition of "member insurer", applicable to the Hawaii Life and Disability Insurance Guaranty Association Act, to remove the exclusion of nonprofit hospital or medical service organizations and health maintenance organizations. According to testimony from the Department of Commerce and Consumer Affairs, the Department is in ongoing discussions with affected parties regarding this definition and, as such, requests that the definition of "member insurer" remain unchanged at this time.

Your Committee further finds that this measure also creates a new assessment account for dental insurance within the Hawaii Life and Disability Insurance Guaranty Association. Your Committee has heard the concerns that dental insurance claims are currently paid from a much higher assessment base of all health insurers doing business in the State and creating a separate assessment account for this type of specific insurance could potentially create a capacity problem in the event a large dental insurer becomes insolvent. Your Committee appreciates these concerns and notes that further discussion may be warranted as this measure moves through the legislative process.

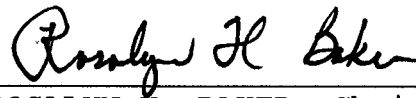
Your Committee has amended this measure by:



- (1) Deleting language that would have permitted insurers assessed through the Hawaii Life and Disability Insurance Guaranty Association the ability to recoup costs through a surcharge on premiums, as the Association already allows insurers to offset assessments through the use of tax credits;
- (2) Deleting language that would have amended the definition of "member insurer";
- (3) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (4) 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, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 954, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 954, S.D. 1, and be placed on the calendar for Third Reading.

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



ROSALYN H. BAKER, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:* SB 954	Committee Referral: CPH	Date: 3/1/17		
<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)	/			
NISHIHARA, Clarence K. (VC)	/			
CHANG, Stanley	/			
ESPERO, Will	/			
IHARA, Jr., Les				/
KIDANI, Michelle N.	/			
RUDERMAN, Russell E.				/
TOTAL	5			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"><i>Clarence K. Nishihara</i></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes