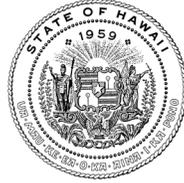


JOSH GREEN, M.D.  
GOVERNOR

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DIRECTOR

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DEPUTY DIRECTOR

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
KA 'OIHANA PONO LIMAHANA

March 5, 2026

To: The Honorable Donovan M. Dela Cruz, Chair,  
The Honorable Sharon Y. Moriwaki, Vice Chair, and  
Members of the Senate Committee on Ways and Means

Date: Thursday, March 5, 2026  
Time: 10:15 a.m.  
Place: Conference Room 211, State Capitol

From: Jade T. Butay, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: S.B. 2431 S.D.1 RELATING TO HEALTH SAVINGS ACCOUNTS**

**I. OVERVIEW OF PROPOSED LEGISLATION**

The **DLIR offers comments** as it appreciates the intent of this measure to expand coverage options and address gaps created by federal changes. While SB2431SD1 aims to broaden access through high-deductible health plans paired with health savings accounts, the Department has concerns regarding how these plans align with Hawai'i's Prepaid Health Care Law and whether they remain affordable for Hawai'i's residents.

SB2431SD1 proposes to amend HRS Chapter 235 by:

- Creating a tiered, nonrefundable tax credit for a qualified insurer that writes a federally qualified health savings accounts-eligible high-deductible health plan (HDHP) in Hawai'i,
- Enrolls an unspecified minimum number of policyholders in the plans,
- Matches a policyholder's first-time contribution, up to an unspecified maximum, into a health savings account (HSA). Enhanced incentives would be available for plans written in rural and medically underserved areas, while preserving the protections of the Prepaid Health Care Act for full-time workers.

**II. CURRENT LAW**

§393-11 requires an employer to provide an eligible employee with health insurance by a Prepaid Health Care plan qualifying under §393-7. The Prepaid Health Care

Advisory Council reviews these plans and makes a recommendation to the Director of Labor and Industrial Relations for approval or disapproval.

### **III. COMMENTS ON THE SENATE BILL**

The Department appreciates the proactive approach in SB2431SD1 of expanding coverage options and addressing gaps created by recent federal changes. While expanding access to HDHPs paired with HSAs may offer additional flexibility for certain individuals, DLIR has two key concerns relating to compliance and affordability:

1. Employer Compliance. HDHPs do not satisfy employer obligations under Hawai'i's Prepaid Health Care Law. Some employers may mistakenly assume these plans meet statutory requirements. However, the Prepaid Law mandates coverage that adheres to strict benefit and cost-sharing standards. All private sector employers in Hawai'i are required to provide Prepaid compliant coverage to eligible employees who work at least 20 hours per week for four consecutive weeks, unless specifically exempted by statute. Clear communication is essential to prevent misunderstandings and to ensure that employers subject to the Prepaid Law remain fully compliant with their obligation to provide qualifying employee coverage.
2. While HSAs are intended to offset costs, they do not eliminate the financial burden of HDHPs. These plans carry significantly higher deductibles and out-of-pocket maximums compared to Hawai'i's prevalent plans. The prevalent plans circumscribe the out-of-pocket maximums and deductibles offered by Prepaid plans.

Out of Pocket Maximums		
	Hawai'i's Prevalent Plan	HDHP
Individual	\$2,500	\$8,500
Family	\$7,500	\$17,000
Deductibles		
Individual	\$350	\$1,700 minimum
Family	\$0 - \$1,050	\$3,400 minimum

For many residents, especially those with lower incomes, funding an HSA at levels sufficient to cover major medical expenses is unrealistic. This means the risk of delayed care or financial hardship persists despite the presence of an HSA.

The Department emphasizes the importance of preserving the long-standing protections of the Prepaid Health Care Act to ensure that workers continue to receive comprehensive, affordable coverage that meets Hawai'i's longstanding standards.

While SB2431 SD1 seeks to broaden coverage options, it is critical that expansion clearly acknowledges the financial realities facing Hawai'i's workforce and affirms that HDHPs paired with HSAs cannot substitute for Prepaid compliant coverage. Without this clarity, the measure risks creating confusion for employers and exposing residents to increased out-of-pocket costs and potential barriers to necessary health care.

Equal Opportunity Employer/Program  
Auxiliary aids and services are available upon request to individuals with disabilities.  
TDD/TTY Dial 711 then ask for (808) 586-8842.

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



**GARY S. SUGANUMA**  
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DEPUTY DIRECTOR

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**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

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**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2431, S.D.1, Relating to Health Savings Accounts

**BEFORE THE:**

Senate Committee on Ways and Means

**DATE:** Thursday, March 5, 2026  
**TIME:** 10:15 a.m.  
**LOCATION:** State Capitol, Conference Room 211

Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2431, S.D.1, for your consideration.

S.B. 2431, S.D.1, adds a new section under chapter 235, Hawaii Revised Statutes (HRS), to establish a nonrefundable tax credit for insurers offering federally qualified "health savings account-eligible high deductible health plans" in Hawai'i. The bill provides for three credit amounts, which depend on whether the taxpayer has written a qualifying plan for (1) an insured residing in an area of the State that is not medically underserved; (2) an insured residing in a non-rural area of the State that is medically underserved; or (3) an insured residing in a partially rural area of the State that is medically underserve. The credit amounts, which are unspecified, apply to each qualifying plan written on or after January 1, 2026, subject to an annual cap per taxpayer.

Subsection (c) provides that to qualify for the credit, a taxpayer must make a matching contribution up to an unspecified amount of a policyholder's first-time contribution into a health savings account.

Subsection (e) allows a taxpayer to claim the credit within five years following the close of the taxable year for which the credit may be claimed. Subsection (e) also allows a credit to carry forward any excess credit in subsequent years until exhausted.

Subsection (f) requires DOTAX to adopt rules under chapter 91 to require a qualified taxpayer claiming the credit to report the value of benefits provided to those insured under this section.

The bill has a defective effective date of July 1, 2050, and applies to taxable years beginning after December 31, 2025, with a December 31, 2030, sunset date.

First, DOTAX recommends that subsection (e) be amended to require that a taxpayer claim the credit within 12 months following the close of the taxable year, as is customary for other credits in chapter 235, HRS, instead of five years as currently provided in the bill. DOTAX notes that allowing a taxpayer to claim a credit within five years after the close of the taxable year may conflict with the existing three-year statute of limitations. Additionally, DOTAX recommends that a five-year limitation be imposed on the time period that the taxpayer may carry forward the credit. Specifically, DOTAX recommends amending subsection (e) on page 5 to read as follows:

(e) The credit allowed under this section shall be claimed against the net income tax liability for the taxable year. If the tax credit under this section exceeds the taxpayer's net income liability for the original claim year, the excess of credit over liability may be used as a tax credit against the taxpayer's net income tax liability in subsequent years until exhausted; provided that no credit carry forward under this section shall be used as a credit for a taxable year more than five years after the taxable year in which the tax credit is originally claimed. All claims for tax credits under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed.

Second, DOTAX notes that it does not have the subject-matter expertise to determine whether a health plan was written by a “qualified taxpayer” in a “non-rural,” “partially rural,” or “rural” area of the State that is “medically underserved.”

Third, DOTAX notes that enforcing the bill’s health savings account matching provision would be administratively challenging, as DOTAX would need to determine a policyholder’s first-time contribution amount, based on account information that is potentially not readily accessible for review and may present privacy concerns, and compare that to a qualified taxpayer’s claimed tax credit amount. It is also not clear what constitutes a “policyholder’s first-time contribution.”

Fourth, DOTAX recommends that if this measure is passed the effective date be amended to apply to taxable years beginning after December 31, 2026, to allow sufficient time to prepare forms, make system changes, necessary rules, and inform taxpayers.

Finally, DOTAX notes that the revenue estimate for this bill is indeterminate.

Thank you for the opportunity to provide comments on this measure.



[www.AlohaILHawaii.org](http://www.AlohaILHawaii.org)

Mar 3, 2026

## MISSION

Aloha Independent Living Hawaii (AILH) dedicated to providing independent living programs and services for persons with disabilities in Hawaii.

We work together with the community and consumers to improve the quality of life through individual choices and access to services.

## EXECUTIVE DIRECTOR

Roxanne U. Bolden

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The Honorable Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means  
The Thirty-Third Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

**SUBJECT:** SB2431, SD1; Relating to Health Savings Account

Chair and Members of the Committee:

Aloha Independent Living Hawaii (AILH) **respectfully offers comments with recommendations on SB2431 SD1.**

SB2431 SD1 establishes a nonrefundable income tax credit for insurers that provide qualifying high deductible health plans (HDHPs) paired with health savings account (HSA) contribution matches, with enhanced incentives for policies issued to individuals in rural or medically underserved areas. The bill is framed in part as a strategy to promote portability of coverage in anticipation of Medicaid coverage transitions.

AILH recognizes the Legislature's interest in mitigating Medicaid churn and improving coverage continuity, particularly in rural communities facing provider shortages and access barriers. We respectfully offer recommendations to ensure that this policy promotes fiscal sustainability while safeguarding access for individuals with disabilities and other high-utilization populations.

### 1. **Expand Required Reporting to Include Consumer Cost and Utilization Data**

The measure requires insurers to report insurers the value of benefits provided under qualifying plans. Given that this bill creates a tax expenditure, AILH recommends that reporting also include:

- Average and median annual out-of-pocket spending by enrollees;
- Rates of delayed or foregone care due to cost exposure;



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- Emergency department utilization trends;
- Data disaggregated by rural versus non-rural enrollment; and
- Re-enrollment rates into Medicaid.

High deductible models may reduce premium costs but increase upfront cost exposure. Monitoring these metrics will allow the Legislature to evaluate whether the tax credit reduces downstream public costs or shifts them to emergency care or re-enrollment in Medicaid.

## 2. Monitor Medicaid Transition and Churn Outcomes

Because the bill references anticipated Medicaid coverage changes, AILH recommends tracking:

- The number of individuals transitioning from Medicaid into qualifying HDHPs;
- The duration of coverage before returning to Medicaid, if applicable; and
- Cost and utilization differences pre- and post-transition.

This will help determine whether the policy improves continuity or results in temporary private coverage followed by higher-acuity Medicaid re-entry.

## 3. Ensure Accessible and Informed Consumer Enrollment

HDHPs can present affordability challenges for individuals with ongoing medical needs, including those with disabilities requiring regular prescriptions, therapies, durable medical equipment, or specialist care. AILH recommends:

- Plain-language, accessible disclosures regarding deductible obligations and cost-sharing exposure;
- Clear explanation of HSA match limitations;
- Outreach strategies tailored to rural and medically underserved communities.

Ensuring informed enrollment protects consumers and supports responsible use of tax incentives.

## 4. Evaluate Disability and High-Need Population Impacts



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Individuals with disabilities often have higher and more predictable health care utilization. AILH recommends that implementation and evaluation include an assessment of the bill's impact on high-need populations to ensure that expanded HDHP enrollment does not inadvertently increase underinsurance or defer necessary care.

SB2431 SD1 presents a policy approach intended to increase coverage portability and rural access. AILH encourages the Committee to incorporate outcome-based monitoring and equity safeguards to ensure that tax expenditures yield measurable improvements in access and fiscal stability.

Thank you for the opportunity to provide comments.

Aloha,

Roxanne Bolden  
Executive Director

**TAX FOUNDATION OF HAWAII**

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: NET INCOME, Credit for High Deductible Health Plans and HSAs

BILL NUMBER: SB 2431 SD1

INTRODUCED BY: CPN

EXECUTIVE SUMMARY: For taxable years beginning 1/1/2026, establishes a tiered nonrefundable tax credit for qualified taxpayer insurers that offer one or more federally qualified health savings account-eligible high deductible health plans in the State, under certain conditions, and increasing the tax credit to incentivize more plans being written for residents in rural medically underserved areas of the State. Requires qualified taxpayer insurers to match up to a certain amount of a policyholder's first-time contribution into a health savings account. Sunsets 12/31/2030.

SYNOPSIS: Adds a new section to chapter 235, HRS, to establish a health savings account (HSA)-eligible high deductible health plan tax credit. The credit is, for each federally qualified HSA-eligible health plan that is written by a qualified taxpayer for an insured residing in:

Credit Amount	Health Plan Is Written In
\$_____	An area of the State that is not a medically underserved area
\$_____	A non-rural medically underserved area of the State
\$_____	A partially rural medically underserved area of the State
\$_____	A rural medically underserved area of the State

In any event, the taxpayer must match all participants' initial contributions to the HSA, up to \$\_\_\_\_\_, to be eligible for the credit. The credits are nonrefundable but may be carried forward indefinitely.

All claims for tax credits under this section, including any amended claims, shall be filed within five years following the close of the taxable year for which the credit may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

The Department of Taxation shall adopt rules pursuant to chapter 91 to administer the credit and report the value of benefits provided to insureds under this section.

Defines "Health savings account" as the same as under section 223(d)(1) of the Internal Revenue Code of 1986, as amended.

Defines “High deductible health plan” means a plan that is: (1) Available as individual coverage through an exchange under section 1311 or 1321 of the Patient Protection and Affordable Care Act; and (2) A bronze plan, as described in section 1302(d)(1)(A) of the Patient Protection and Affordable Care Act, or a catastrophic plan, as described in section 1302(e) of the Patient Protection and Affordable Care Act.

Defines “Medically underserved area” or “population” as a geographic area or population group designated by the United States Department of Health and Human Services as an area with a shortage of primary care health services or a population group experiencing a shortage of primary care health services and facing economic, cultural, or linguistic barriers to access health care.

Defines “Qualified taxpayer” means a taxpayer that: (1) Offers one or more health savings account-eligible high deductible health plans that are in compliance with section 223 of the Internal Revenue Code of 1986, as amended, for residents of the State, including those in rural and medically underserved areas; and (2) Enrolls at least \_\_\_\_\_ policyholders in one or more federally qualified health savings account-eligible high deductible health plans.

Defines “Rural” as an area that is not delineated as an urbanized area by the US Census Bureau.

EFFECTIVE DATE: July 1, 2050 for taxable years beginning after December 31, 2025.  
Repeals on December 31, 2030.

STAFF COMMENTS: The bill includes unspecified credit amounts and otherwise contains blanks for important information. The bill cannot be scored for revenue gain/loss in its current form, and cannot be vetted properly unless numbers are inserted.

We note that the Rules of the House and of the Senate specify that proceedings are to follow Mason’s Manual of Legislative Procedure published by the National Conference of State Legislatures. Mason’s Manual specifies, in section 416-8 of its 2020 edition, that “When proposals containing blanks are introduced, these must be filled before other motions to amend are entertained.”

The current draft of this measure allows claims to be filed within five years of the taxable year in which the credit may be claimed. This conflicts with the normal statute of limitations for income tax returns, section 235-111, HRS, which provides a three-year period within which a claim for refund or credit may be filed.

Digested: 3/4/2026



## Hawaii Medical Association

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Phone: 808.536.7702 • Fax: 808.528.2376 • hawaiimedicalassociation.org

### SENATE COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair  
Senator Sharon Y Moriwaki, Vice Chair

Date: March 5, 2026

From: Hawaii Medical Association (HMA)

Elizabeth Ann Ignacio MD - Chair, HMA Public Policy Committee

Christina Marzo MD and Robert Carlisle MD, Vice Chairs, HMA Public Policy Committee

**RE SB 2431 SD1** RELATING TO HEALTH SAVINGS ACCOUNTS. Department of Taxation; Health Insurance; Health Savings Account-Eligible High Deductible Health Plan; Bronze Plan; Catastrophic Plan; Tax Credit; Medically Underserved Areas

Position: **Comments**

This measure would, for taxable years beginning 1/1/2026, establish a tiered nonrefundable tax credit for qualified taxpayer insurers that offer one or more federally qualified health savings account-eligible high deductible health plans in the State, under certain conditions, and increasing the tax credit to incentivize more plans being written in rural medically underserved areas of the State; require qualified taxpayer insurers to match up to a certain amount of a policyholder's first-time contribution into a health savings account; sunsets 12/31/2030.

HMA appreciates the amendments of the Senate Committee on Commerce and Consumer Protection. HMA supports the intent of this measure that may provide a geographically targeted incentive to counter decreased enrollment and higher per-member risk in rural and underserved areas of our state, as well as improve affordability and portability for people losing or transitioning coverage.

The debate around expanding higher-deductible health plan (HDHP) options coupled with Health Savings Accounts (HSA) is active. HDHPs can deter needed care and medications for some patients, particularly those with chronic disease or limited savings. Additionally, while requiring a first-time contribution match may help new enrollees fund out-of-pocket exposure in a high-deductible plan, these benefits may skew toward higher-income or more financially "ready" households.

To ensure that these tax credits improve access in rural and medically underserved areas, HMA recommends clear guardrails, including transparent reporting that incentives are passed through to consumers, rural-specific network adequacy standards, and meaningful consumer protections for high-deductible plans. We are grateful that our legislators are exploring pathways to healthcare affordability that can increase patient access without discouraging timely, medically necessary care.

Thank you for allowing the Hawaii Medical Association to provide comments on this measure.

#### 2026 Hawaii Medical Association Public Policy Coordination Team

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Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

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## REFERENCES AND QUICK LINKS

Long, Michelle, Justin Lo, Rayna Wallace, and Kaye Pestaina. "Policy Changes Bring Renewed Focus on High-Deductible Health Plans." Kaiser Family Foundation, 5 Jan. 2026, <https://www.kff.org/patient-consumer-protections/policy-changes-bring-renewed-focus-on-high-deductible-health-plans/>. Accessed 1 Feb. 2026.

Haight, Randy, Allen Dobson, Collin McGuire, and Akeiisa Coleman. "Without Renewal of Enhanced Premium Tax Credits, Rural Hospital Revenues Will Drop by \$1.6 Billion." The Commonwealth Fund: To the Point (blog), 13 Nov. 2025, <https://www.commonwealthfund.org/blog/2025/without-renewal-enhanced-premium-tax-credits-rural-hospital-revenues-will-drop-16-billion>. Accessed 1 Feb. 2026.

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