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# A BILL FOR AN ACT

RELATING TO HEALTH INSURANCE RATES.

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

PART I

SECTION 1. The legislature finds that the Patient Protection and Affordable Care Act encourages states to develop innovative approaches to insuring their populations by authorizing states to apply for waivers from certain requirements of the Act. To be eligible, a state must demonstrate that its proposed health insurance reforms are as comprehensive and affordable as the federal requirements for insurance sold in its state health insurance exchange. In addition, proposed reforms must be budget neutral for the federal government. States that are granted innovation waivers may receive federal assistance to operate their reform programs in an amount that is equivalent to the aggregate amount of tax credits and cost-sharing subsidies that the federal government would have paid for individuals enrolled in state health insurance exchanges.

The legislature also finds that Hawaii has a bold history as an innovator in ensuring that its residents have access to



1 health care. The Hawaii Prepaid Health Care Act has ensured the  
2 availability of employer-sponsored health insurance for workers  
3 and their families, and the State's Med-QUEST program has  
4 provided access to comprehensive managed care for low-income  
5 families. The legislature believes that, while Hawaii has taken  
6 great steps in implementing the health insurance exchange and  
7 other insurance reforms required by the Patient Protection and  
8 Affordable Care Act, the State may be able to create a more  
9 effective alternative solution for providing affordable health  
10 coverage to individuals.

11 The purpose of this part is to establish a state innovation  
12 waiver task force to develop a health care reform plan that  
13 meets requirements for obtaining a state innovation waiver.

14 SECTION 2. (a) There is created the state innovation  
15 waiver task force, to be attached to the office of the governor  
16 for administrative purposes.

17 (b) The task force shall consist of the following members,  
18 or their respective designees:

- 19 (1) The healthcare transformation coordinator, who shall  
20 serve as chair;  
21 (2) The director of health;  
22 (3) The director of commerce and consumer affairs;



- 1 (4) The director of labor and industrial relations;
- 2 (5) The administrator of the MedQUEST division of the
- 3 department of human services;
- 4 (6) The insurance commissioner;
- 5 (7) The administrator of the Hawaii employer-union health
- 6 benefits trust fund;
- 7 (8) The chairperson of the board of directors of the
- 8 Hawaii Health Connector;
- 9 (9) The executive director of the Hawaii Health Connector;
- 10 (10) The executive director of the Hawaii Health
- 11 Information Exchange;
- 12 (11) Two persons with expertise in health care delivery or
- 13 health insurance, to be designated by president of the
- 14 senate; and
- 15 (12) Two persons with expertise in health care delivery or
- 16 health insurance, to be designated by the speaker of
- 17 the house of representatives.
- 18 (c) The task force shall:
- 19 (1) Examine the feasibility of alternative approaches to
- 20 the health reform requirements described under section
- 21 1332(a)(2) of the federal act;



1           (2)   Examine alternatives to and possible exemptions or  
2                waivers from requirements relating to allowable  
3                premium rate variations based upon age, as described  
4                in section 1201 of the federal act; and

5           (3)   Develop a plan for applying for a state innovation  
6                waiver that meets the requirements of section 1332 of  
7                the federal act, including:

8                (A)   Developing a strategy for health care reform  
9                       that:

10                   (i)   Provides coverage that is at least as  
11                       comprehensive as required by the federal  
12                       act;

13                   (ii)   Provides coverage and cost-sharing  
14                       protections that are at least as affordable  
15                       as under the federal act;

16                   (iii)   Makes health insurance coverage available to  
17                       as many residents of Hawaii as under the  
18                       federal act; and

19                   (iv)   Is budget neutral for the federal  
20                       government;

21                (B)   Examining the feasibility of options for  
22                providing affordable insurance coverage for



1 uninsured and underinsured individuals in Hawaii  
2 that include innovations to the State's existing  
3 medicaid program; and

4 (C) Ensuring compliance with all applicable public  
5 notice requirements of 31 Code of Federal  
6 Regulations part 33 and 45 Code of Federal  
7 Regulations part 155, as amended.

8 (d) The task force shall prepare a draft application for a  
9 state innovation waiver, to take effect for plan years beginning  
10 after January 1, 2017.

11 (e) The members of the task force shall serve without  
12 compensation but shall be reimbursed for expenses, including  
13 travel expenses, necessary for the performance of their duties.

14 (f) The task force shall submit a report of its findings  
15 and recommendations to the legislature, including any proposed  
16 legislation and the draft application, no later than twenty days  
17 prior to the convening of the regular session of 2016.

18 (g) The task force shall be dissolved on June 30, 2017.

19 (h) For the purposes of this section, "federal act" means  
20 the Patient Protection and Affordable Care Act (Public Law 111-  
21 148), as amended, and any regulations adopted thereunder.



SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2014-2015 for the operations of the state innovation waiver task force.

The sum appropriated shall be expended by the office of the governor for the purposes of this Act.

PART II

SECTION 4. Section 431:14G-103, Hawaii Revised Statutes, is amended to read as follows:

"[+]§431:14G-103[+] Making of rates[-]; community rating.

(a) Rates shall not be excessive, inadequate, or unfairly discriminatory and shall be reasonable in relation to the costs of the benefits provided.

(b) Except to the extent necessary to meet subsection (a), uniformity among managed care plans covering more than fifty members in any matters within the scope of this section shall be neither required nor prohibited.

(c) Rates for individual plans and plans covering more than one member and less than fifty-one members shall be established pursuant to community rating.

For the purposes of this subsection, "community rating" means a rating methodology in which the premium for all persons



1 covered by a policy or contract form is the same based upon the  
2 experience of the entire pool of risks covered by that policy or  
3 contract form without regard to age, sex, health status, tobacco  
4 use, or occupation."

5 PART III

6 SECTION 5. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 6. This Act shall take effect on July 1, 2050.



**Report Title:**

Health Insurance; Rates; State Innovation Waiver; Community  
Rating

**Description:**

Establishes and appropriates funds for the state innovation waiver task force to develop a plan for applying for a state innovation waiver under the PPACA. Requires individual health insurance plans and small group plans to establish rates based upon community rating. Effective 1/1/2050. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

