
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 required 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. The initial intent
7 of the state health insurance exchanges was to reduce the number
8 of uninsured individuals, provide a transparent marketplace,
9 conduct consumer education, and assist individuals in gaining
10 access to assistance programs, premium assistance tax credits,
11 and cost-share reductions.

12 The legislature further finds that, largely due to the
13 success of the Hawaii Prepaid Health Care Act, the State enjoys
14 an overall healthier population, lower uninsured rates, and
15 lower premium costs than mainland states. It is, therefore,
16 imperative that Hawaii's health insurance exchange, known as the
17 Hawaii health connector, work in tandem with the Hawaii Prepaid



1 Health Care Act to preserve the Prepaid Health Care Act's
2 existing benefits for Hawaii residents.

3 The legislature additionally finds that, as part of its
4 initial phase of operation, the Hawaii health connector has
5 benefited from new tax credits available under the Affordable
6 Care Act, including the advanced premium tax credit and small
7 business health insurance tax credit. The combined value of
8 these benefits through 2024 is estimated at \$505,000,000, which
9 is expected to provide direct financial stimulus to the State,
10 facilitate the expansion of health insurance, and reduce
11 uncompensated health care costs associated with the delivery of
12 medical services to the State's eligible population.

13 The legislature also finds that the Hawaii health connector
14 can provide further services to the people of Hawaii through the
15 expanded use of its business model and technologies. The Hawaii
16 health connector has the capability to provide non-biased
17 enrollment, implementation, and benefit administration services
18 for employers and their employees, which will generate
19 additional revenue. The connector also has the potential to
20 provide an integrated solution for medicaid enrollment and



1 state-provided social services, which would reduce state social
2 services costs.

3 The legislature further finds that the Hawaii health
4 connector stated in its January 2015 annual report that it is on
5 the path to financial self-sustainability and could reach a
6 surplus of \$1,800,000 by June 30, 2022. The connector has
7 enrolled over 15,500 people to date, up from fewer than five
8 hundred a year ago, and estimates that it will generate \$984,443
9 in revenue in the fiscal year ending June 30, 2015. By 2022,
10 the connector expects to bring in \$14,800,000 in revenue.
11 However, the connector will need approximately \$28,000,000 over
12 the next eight years until it can generate enough revenue to
13 become self-sufficient.

14 The legislature notes that the sale of debentures by the
15 Hawaii health connector can only be secured through the use of a
16 guarantee of those debentures by the State. To this end, the
17 legislature finds and declares that the issuance of guarantees
18 of the debentures under this Act would help the connector reach
19 financial self-sustainability and is in the public interest for
20 the health, safety and general welfare of the State.



1 The legislature also notes that in 1996, the State founded
2 the Hawaii Employers' Mutual Insurance Company (HEMIC) in an
3 effort to address many of the problems with the State's workers'
4 compensation system. The enabling legislation that created
5 HEMIC included a funding mechanism to support HEMIC's operations
6 while the company moved on a path to self-sustainability.
7 Today, HEMIC is highly successful, self-sustaining, and has been
8 given an "A" rating by the global credit rating agency A.M.
9 Best. Exploring a funding mechanism similar to the one the
10 State used when establishing HEMIC would enable the Hawaii
11 health connector to support its operations, reach self-
12 sustainability, and, eventually, return all funds advanced to
13 the connector back to the State.

14 The purpose of this Act is to:

- 15 (1) Retain the current financial and service benefits of
16 the Hawaii health connector;
17 (2) Enhance the availability of services through the
18 Hawaii health connector; and
19 (3) Support the self-sustainability of the Hawaii health
20 connector by authorizing the State to guarantee
21 debentures issued by the Hawaii health connector.



1 SECTION 2. Section 435H, Hawaii Revised Statutes, is
2 amended by adding a new definition to be appropriately inserted
3 and to read as follows:

4 "Qualified health plan" means a qualified plan or a
5 qualified dental plan."

6 SECTION 3. Section 435H-2, Hawaii Revised Statutes, is
7 amended by amending subsections (b) and (c) to read as follows:

8 "(b) The purposes of the connector shall include:

9 (1) Facilitating the purchase and sale of qualified plans
10 and qualified dental plans;

11 (2) Connecting consumers to the information necessary to
12 make informed health care choices;

13 (3) Enabling consumers to purchase coverage and manage
14 health and dental plans electronically; ~~and~~

15 (4) Performing any and all other duties required of a
16 health insurance exchange pursuant to the Federal
17 Act[-]; and

18 (5) Providing enrollment, implementation, and benefit
19 administration services for employers and their
20 employees for non-qualified health plans.



1 (c) The connector shall serve as a clearinghouse for
2 enrollment and information on all qualified plans and qualified
3 dental plans listed or included in the connector."

4 SECTION 4. Section 435H-3, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§435H-3 Funding.** (a) The connector may receive
7 contributions, grants, endowments, fees, or gifts in cash or
8 otherwise from public and private sources including
9 corporations, businesses, foundations, governments, individuals,
10 and other sources subject to rules adopted by the board. The
11 State may appropriate moneys to the connector. As required by
12 section 1311(d)(5)(A) of the Federal Act, the connector shall be
13 self-sustaining by January 1, 2015~~[, and]~~. To achieve self-
14 sustainability, the connector may charge assessments or user
15 fees to participating ~~[health and dental]~~ carriers, or may
16 otherwise generate non-insurer based funding to support its
17 operations. Moneys received by or under the supervision of the
18 connector shall not be placed into the state treasury and the
19 State shall not administer any moneys of the connector nor be
20 responsible for the financial operations or solvency of the
21 connector.



1 (b) In addition to any other means of generating revenue
2 pursuant to subsections (a) [~~and~~], (c), and (d), the connector
3 may sell or lease its information technology infrastructure and
4 services to other separate non-connector programs; provided that
5 the sale or lease is in compliance with federal regulations.

6 (c) In addition to any other means of generating revenue
7 pursuant to subsections (a) [~~and~~], (b), and (d), the connector
8 may also charge fees for displaying advertisements for ancillary
9 services on the connector's website.

10 (d) In addition to any other means of generating revenue
11 pursuant to subsections (a), (b), and (c), the connector may
12 conduct enrollment, implementation, and benefit administration
13 services for employers and their employees for non-qualified
14 health plans or other ancillary products and services.

15 [~~(d)~~] (e) All plans to generate revenue for the connector
16 shall be in compliance with federal [~~law~~] and state laws,
17 rules, and regulations.

18 (f) The connector may issue debentures in amounts
19 collectively not to exceed \$28,000,000, which debentures shall
20 be guaranteed by the State, payable solely from operating
21 revenue received by the connector. The State of Hawaii shall



1 approve the terms of all debentures before they are issued. The
2 debentures shall be issued in the name of the connector and not
3 in the name of the State. The final maturity date of the
4 debentures shall not exceed ten years from the date of issuance.
5 The board shall set aside and pledge revenues as necessary for
6 the payment of the principal and interest on the debentures."

7 SECTION 5. Section 435H-12, Hawaii Revised Statutes, is
8 amended by amending subsection (b) to read as follows:

9 "(b) If a health insurance plan utilizes and compensates
10 an insurance agent or broker, the Hawaii health connector shall
11 not be responsible for any compensation to that agent or broker
12 that sells a qualified health plan or non-qualified health plan
13 through the connector. The issuer of the qualified health plan
14 shall bear all compensation to an agent or broker that sells a
15 qualified health plan through the connector."

16 SECTION 6. There is created a trust fund in the state
17 treasury to be known as the Hawaii health connector debenture
18 guarantee trust fund, which shall serve as the reserve for all
19 debentures guaranteed under this Act.

20 SECTION 7. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$, for fiscal



1 year 2015-2016, to be deposited into the Hawaii health connector
2 debenture guarantee trust fund. This sum, when and if
3 necessary, shall be expended by the for the purposes of
4 this Act.

5 SECTION 8. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 9. This Act shall take effect on July 1, 2050.



Report Title:

Hawaii Health Connector; Hawaii Health Insurance Exchange;
Sustainability; Funding

Description:

Enhances the availability of services through the Connector.
Authorizes the Connector to issue debentures issued in its own
name. (HB1283 HD1)

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