
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 requires 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. Hawaii's health
7 insurance exchange, known as the Hawaii Health Connector
8 (Connector), was established in 2011 and charged with
9 implementing applicable parts of the Affordable Care Act.

10 The legislature further finds that due to Hawaii's small
11 population, the highly successful Prepaid Health Care Act of
12 1974 (Prepaid Health Care Act), and expanded medicaid coverage,
13 that resulted in lower numbers of uninsured residents in the
14 State, and despite substantial federal investment in technology
15 and assistance, the efforts of the board of directors and the
16 staff of the Connector, work contributed by public sector
17 employees, and the support of the legislature, the Connector was



1 unable to meet the financial sustainability requirements imposed
2 by the federal government.

3 In June 2015, the federal Department of Health and Human
4 Services determined that Hawaii was not in compliance with
5 certain provisions of the Affordable Care Act. The governor,
6 state cabinet officials, and Connector leadership agreed to
7 accelerate the transition of the Connector's authority to the
8 State in November 2015. The legislature notes that this
9 transition was in the best interests of Hawaii residents, as the
10 State had already begun the transition into the federal
11 marketplace for the enrollment period slated to last through
12 January 1, 2016. The Connector officially ceased operations in
13 December 2015.

14 The legislature recognizes that some of the challenges
15 faced by the Connector can be attributed to the overwhelming
16 success of the State's Prepaid Health Care Act, which has
17 defined employer-sponsored health insurance in Hawaii and
18 fundamentally shaped Hawaii's health insurance marketplace for
19 over forty years. The Prepaid Health Care Act was the first law
20 of its kind in the nation, and requires nearly all employers to
21 provide a uniformly high level of coverage for their employees.



1 Under the Prepaid Health Care Act, employees who work at least
2 twenty hours a week must be offered employer-sponsored health
3 insurance and cannot be required to pay more than 1.5 per cent
4 of their wages for employee-only coverage. Furthermore,
5 employer-based coverage under the Prepaid Health Care Act is
6 robust and provides significantly better benefits than those
7 required under the Affordable Care Act.

8 The legislature additionally finds that the Prepaid Health
9 Care Act's long history of mandated health care coverage has
10 resulted in a rate of uninsured individuals that is amongst the
11 lowest in the nation. The uninsured rate in Hawaii has
12 historically fallen between five and seven per cent, with a
13 recent analysis putting the current percentage of uninsured
14 residents at 5.3 per cent. However, the tremendous success of
15 the Prepaid Health Care Act also created challenges for the
16 Connector. Given Hawaii's small population, small insurance
17 marketplace, and historically low uninsured rate, implementing a
18 state-run exchange that could maintain financial sustainability
19 was difficult. Overall, the State lacked the high population
20 and high percentage of uninsured individuals needed to ensure
21 the long-term sustainability of the Connector.



1 The legislature notes that although the state-based
2 exchange model did not end up working in Hawaii's unique
3 marketplace, the Connector was successful in reaching many
4 previously uninsured individuals. Furthermore, Hawaii residents
5 will still have the opportunity to access affordable health care
6 coverage through the federally supported, state-based exchange,
7 similar to those in Oregon, Nevada, and New Mexico. The
8 legislature also notes that the State has been working with the
9 federal government to provide a new framework for marketplace
10 enrollment that will comply with federal requirements. This
11 successor program to the Connector will be established in a
12 separate measure currently moving through the legislative
13 process.

14 Finally, the legislature acknowledges and appreciates the
15 work of the board of directors and the staff of the Connector
16 and notes that neither the board nor the Connector staff are
17 responsible for the ultimate repeal of the Connector.

18 Accordingly, due to the Connector ceasing operations and
19 the transition to a federally supported, state-based exchange,
20 the purpose of this Act is to:



- (1) Repeal the Connector and updated an associated reference to the Connector within the Hawaii Revised Statutes; and
- (2) Specify that any debts and liabilities pertaining to the Connector that were incurred prior to its repeal shall not constitute a debt or liability of the State.

SECTION 2. Section 432F-2, Hawaii Revised Statutes, is amended to read as follows:

"[~~§~~432F-2] **Health care provider network adequacy.** (a)

On or before January 1 of each calendar year, each managed care plan shall demonstrate the adequacy of its provider network to the commissioner. A provider network shall be considered adequate if it provides access to sufficient numbers and types of providers to ensure that all covered services will be accessible without unreasonable delay, after taking into consideration geography. The commissioner shall also consider any applicable federal standards on network adequacy. A certification from a national accreditation organization shall create a rebuttable presumption that the network of a managed care plan is adequate. This presumption may be rebutted by evidence submitted to, or collected by, the commissioner.



1 (b) A managed care plan that does not have a certification
2 from a national accreditation organization may submit to the
3 commissioner a plan to become accredited by a national
4 accreditation organization within a period of two years if the
5 managed care plan has provided sufficient evidence that its
6 network is reasonably adequate at the time of submission of the
7 plan. The commissioner shall also consider any applicable
8 federal standards on network adequacy. The commissioner may
9 extend the period of time for accreditation.

10 (c) The commissioner shall approve or disapprove a managed
11 care plan's annual filing on network adequacy. If the
12 commissioner deems the filing incomplete, additional information
13 and supporting documentation may be requested. A managed care
14 plan shall have sixty days to appeal an adverse decision by the
15 commissioner in an administrative hearing pursuant to chapter
16 91.

17 (d) To enable the commissioner to determine the network
18 adequacy for qualified health plans to be listed [~~with the~~
19 ~~Hawaii health connector under section 435H-11,]~~ on the federal
20 Patient Protection and Affordable Care Act marketplace the
21 commissioner may request that a managed care plan demonstrate



1 the adequacy of its provider network at the time that it files
2 its health plan benefit document with the commissioner.

3 (e) This section shall apply to any managed care plan
4 qualified as a prepaid health care plan pursuant to chapter
5 393."

6 SECTION 3. Chapter 435H, Hawaii Revised Statutes, is
7 repealed.

8 SECTION 4. Any debts and liabilities pertaining to the
9 Hawaii health connector that were incurred prior to its repeal
10 pursuant to this Act shall not constitute a debt or liability of
11 the State.

12 SECTION 5. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 6. This Act shall take effect upon its approval.

15



Report Title:

Hawaii Health Connector; Repeal; Transition

Description:

As part of the transition to a federally supported, state-based exchange: repeals the Hawaii health connector, updates an associated reference to the connector, and states that any debts and liabilities pertaining to the connector that were incurred prior to its repeal shall not constitute a debt or liability of the State. (SD1)

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