
A BILL FOR AN ACT

RELATING TO HEALTH INSURANCE.

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

1 SECTION 1. The legislature finds that the Patient
2 Protection and Affordable Care Act of 2010 (Affordable Care Act)
3 includes an individual coverage requirement, commonly known as
4 the individual mandate, that requires most people in the country
5 to have health insurance and imposes tax penalties on those
6 without an exemption who do not comply. The individual mandate
7 is an important part of the overall health reforms established
8 under the Affordable Care Act, which was designed to extend
9 insurance to nearly all people, including those with medical
10 conditions that require expensive care and who may have
11 previously been denied coverage. However, to pay for care,
12 insurance companies need to have a large enrollment pool of
13 consumers, especially young people and healthy people who use
14 fewer services. Thus, the individual mandate was adopted to
15 guarantee a broad enrollment base and ensure that health
16 insurance premiums remain more affordable for everyone. The
17 legislature notes that because the majority of the United States



1 population receives health insurance coverage either through
2 employer-sponsored health insurance or through public programs
3 such as medicaid and medicare, the people most impacted by the
4 mandate are those who purchase insurance through the individual
5 market.

6 The legislature further finds that Congressional
7 Republicans recently passed a sweeping tax bill that effectively
8 repealed the individual mandate, by reducing the tax penalty in
9 the existing law to \$0 or zero per cent of household income
10 above a certain threshold. Insurance companies and
11 Congressional Democrats have warned that premiums will increase
12 and insurance markets will be weakened if the tax penalties for
13 going without health insurance are eliminated. The
14 Congressional Budget Office has estimated that repealing the
15 mandate penalties would increase premiums by ten per cent and
16 leave 4,000,000 more people uninsured in 2019 and 13,000,000
17 more uninsured by 2027.

18 The legislature additionally finds that it is important to
19 preserve Hawaii's insurance market and ensure that insurance
20 premiums remain stable and affordable for Hawaii's consumers.
21 Establishing a state-level individual mandate, similar to the



1 one adopted by Massachusetts in 2006, will help achieve these
2 goals.

3 Accordingly, the purpose of this Act is to establish an
4 individual mandate for certain qualified taxpayers to sign up
5 for and maintain health insurance throughout the year, or pay a
6 penalty on their individual income tax return.

7 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§235- Creditable coverage; qualified taxpayers. (a)
11 For each month beginning after December 31, 2018, the following
12 qualified taxpayers age eighteen and over shall obtain and
13 maintain creditable coverage so long as it is deemed affordable
14 by the insurance commissioner, pursuant to section 431:2- :

15 (1) Residents of the State; or
16 (2) Individuals who became residents of the State within
17 sixty-three days, in the aggregate;
18 provided that residents who within sixty-three days have
19 terminated any prior creditable coverage shall obtain and
20 maintain creditable coverage within sixty-three days of such
21 termination.



1 (b) Every qualified taxpayer who files or is required to
2 file an individual income tax return as a resident of the State
3 shall indicate on the return, in a manner prescribed by the
4 director of taxation, whether the qualified taxpayer:

5 (1) Had creditable coverage in force for each of the
6 twelve months of the taxable year for which the return
7 is filed as required under subsection (a), whether
8 covered as an individual or as a named beneficiary of
9 a policy covering multiple individuals; or

10 (2) Had a certificate issued by the insurance
11 commissioner, pursuant to section 431:2- .

12 (c) If a qualified taxpayer: fails to indicate on the
13 income tax return whether the qualified taxpayer had the
14 coverage required under subsection (a); or indicates on the
15 income tax return that the qualified taxpayer did not have the
16 coverage required under subsection (a) in force, then a penalty
17 shall be assessed on the return. If the qualified taxpayer
18 indicates that the qualified taxpayer had such coverage in force
19 but the director of taxation determines, based on the
20 information available, that such requirement of subsection (a)



1 was not met, then the director of taxation shall assess the
2 penalty.

3 (d) If in any taxable year, in whole or in part, a
4 qualified taxpayer does not comply with the requirement of
5 subsection (a), the director of taxation shall retain any amount
6 overpaid by the qualified taxpayer and apply it toward any
7 penalty payment required by this subsection; provided that the
8 amount retained shall not exceed . The penalty shall
9 be assessed for each of the months the qualified taxpayer did
10 not meet the requirement of subsection (a); provided that any
11 lapse in coverage of sixty-three days or less shall not be
12 counted in calculating the penalty; provided further that
13 nothing in this subsection shall authorize the commissioner to
14 retain any amount for purposes that otherwise would be paid to a
15 claimant agency or agencies as debts recoverable under sections
16 231-51 to 231-59.

17 (e) If the amount retained pursuant to subsection (d) is
18 insufficient to meet the penalty assessed, the director of
19 taxation shall notify the qualified taxpayer of the balance due
20 on the penalty and related interest.



1 (f) The department of taxation shall have all enforcement
2 and collection procedures available under this chapter to
3 collect any penalties assessed under this section.

4 (g) A qualified taxpayer who disputes the determination of
5 applicability or affordability, as enforced by the department,
6 may seek a review of this determination through an appeals
7 process established by the insurance commissioner pursuant to
8 section 431:2- ; provided that no additional penalties shall be
9 enforced against a qualified taxpayer seeking review until the
10 review is complete and any subsequent appeals are exhausted.

11 (h) For purposes of this section, the following
12 definitions shall apply:

13 "Creditable coverage" means coverage of a qualified
14 taxpayer under any of the following health insurance plans or as
15 a named beneficiary receiving coverage on another's health
16 insurance plan with no lapse of coverage for more than sixty-
17 three days:

18 (1) An individual or group health insurance plan that
19 meets the requirements for mandatory health care
20 benefits under section 393-7(a) or (b);



- 1 (2) An individual or group health insurance plan available
2 from the State's health insurance marketplace;
- 3 (3) Part A or Part B of Title XVIII of the Social Security
4 Act;
- 5 (4) Title XXI or XIX of the Social Security Act, other
6 than coverage consisting solely of benefits under
7 section 1928 or section 1903 (v) of Title XIX of the
8 Social Security Act;
- 9 (5) Title 10 United States Code chapter 55;
- 10 (6) A medical care program of the Indian Health Service or
11 of a tribal organization authorized under section 102
12 of the Indian Self-Determination and Education
13 Assistance Act;
- 14 (7) A state health benefits risk pool;
- 15 (8) A health plan offered under title 5 United States Code
16 chapter 89;
- 17 (9) A public health plan as defined in federal regulations
18 authorized by the Public Health Service Act, section
19 2701(c) (1) (I), as amended by Public Law 104-191;
- 20 (10) A health benefit plan under the Peace Corps Act, title
21 22 United States Code section 2504(e); or



1 (11) Any other qualifying coverage required by the Health
2 Insurance Portability and Accountability Act of 1996,
3 as amended, or by regulations promulgated under that
4 Act.

5 The term "creditable coverage" shall not include: a
6 limited benefit health insurance plan, as that term is defined
7 under section 431:10A-102.5; insurance arising out of a workers'
8 compensation law or similar law; motor vehicle medical payment
9 insurance; insurance under which benefits are payable with or
10 without regard to fault and which is statutorily required to be
11 contained in a liability insurance policy or equivalent self-
12 insurance; or coverage supplemental to the coverage provided
13 under title 10 United States Code chapter 55, if offered as a
14 separate insurance policy.

15 "Health insurance marketplace" means a service that helps
16 individuals and small businesses shop for and enroll in
17 affordable health insurance, as established by the federal
18 Patient Protection and Affordable Care Act of 2010, or any
19 similar successor service available at the federal or state
20 level.

21 "Qualified taxpayer" means an individual:



- 1 (1) Who files an individual income tax return for the
2 taxable year;
- 3 (2) Who is not claimed or is not otherwise eligible to be
4 claimed as a dependent by another taxpayer for federal
5 or Hawaii state individual income tax purposes;
- 6 (3) Who has been physically present in the State for more
7 than nine months during the taxable year;
- 8 (4) Whose household income for the taxable year does not
9 exceed per cent of the federal poverty guideline
10 for Hawaii, as most recently published by the United
11 States Department of Health and Human Services for the
12 taxpayer's family size; or
- 13 (5) Who, if married at the close of the taxable year,
14 files a joint return for the taxable year; provided
15 that this paragraph shall not apply to a married
16 taxpayer who is unable to file a joint return because
17 the taxpayer is a victim of domestic abuse or spousal
18 abandonment and is living apart from the taxpayer's
19 spouse at the time the taxpayer files the return."



SECTION 3. Chapter 431, Hawaii Revised Statutes, is amended by adding a new section to part II of article 2 to be appropriately designated and to read as follows:

"§431:2- Creditable coverage; powers of commissioner.

(a) The commissioner shall establish a process to determine which health plans shall be considered affordable, for purposes of complying with the creditable coverage requirements under section 235- .

(b) The list of health plans deemed to be creditable coverage shall be updated annually and posted on the insurance division's website.

(c) The commissioner shall have the following additional powers:

(1) Establish procedures for granting an annual certification upon request of a qualified taxpayer who has sought health insurance coverage through Hawaii's insurance marketplace, attesting that, for the purposes of enforcing section 235- , no health benefit plan that meets the definition of creditable coverage was deemed affordable by the commissioner for that qualified taxpayer. The commissioner shall



1 maintain a list of qualified taxpayers for whom such
2 certificates have been granted; and

3 (2) Establish an appeals procedure for enforcement actions
4 taken by the department of taxation under section 235-
5 , including standards to govern appeals based on the
6 assertion that imposition of the penalty under section
7 235- would create extreme hardship.

8 (d) The insurance commissioner, in conjunction with the
9 department of taxation, may adopt rules pursuant to chapter 91,
10 for purposes of implementing this section and section 235- .

11 (e) For purposes of this section:

12 "Creditable coverage" shall have the same meaning as in
13 section 235- .

14 "Health insurance marketplace" shall have the same meaning
15 as in section 235- .

16 "Qualified taxpayer" shall have the same meaning as in
17 section 235- ."

18 SECTION 4. New statutory material is underscored.

19 SECTION 5. This Act shall take effect on July 1, 3000, and
20 shall apply to taxable years beginning after December 31, 2017.



Report Title:

Health Insurance; Creditable Coverage; Individual Mandate;
Qualified Taxpayers

Description:

Establishes an individual mandate for qualified state taxpayers.
Requires all state taxpayers to sign up and maintain health
insurance throughout the year or pay a penalty on individual
income tax returns. (HB2209 HD1)

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

