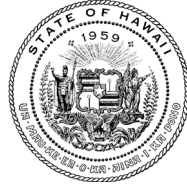


JOSH GREEN M.D.
GOVERNOR

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STATE OF HAWAII
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GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No. 1547, Relating to Health Savings Accounts

BEFORE THE:

House Committee on Health

DATE: Wednesday, February 4, 2026
TIME: 9:00 a.m.
LOCATION: State Capitol, Conference Room 329

Chair Takayama, Vice-Chair Keohokapu-Lee Loy, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 1547 for your consideration.

H.B. 1547 adds a new section under Chapter 235, HRS, to establish a tiered, nonrefundable tax credit for "qualified taxpayer" insurers offering federally qualified "health savings account"-eligible "high deductible health plans" in Hawai'i, with enhanced incentives for plans written in a rural or "medically underserved area" of Hawai'i.

The bill also requires qualified taxpayer insurers to match up to a currently unspecified amount of a policyholder's first-time contribution into a health savings account. The tax credit applies only to plans written in Hawai'i on or after January 1, 2026.

The terms "Qualified taxpayer," "Health savings account," and "High deductible health plan" are all defined in the bill and tied to federal requirements under the Internal Revenue Code of 1986 and the Patient Protection and Affordable Care Act. "Medically

underserved area” or “population” are also defined.

The bill provides that the total tax credit claimed per qualified taxpayer cannot exceed an unspecified amount per taxable year and provides an unspecified aggregate cap amount for all qualified taxpayers per taxable year.

The tax credit must be claimed against the taxpayer’s net income tax liability, on or before the end of the twelfth month following the close of the taxable year. If the tax credit exceeds the taxpayer’s net income tax liability in a given taxable year, the bill allows a taxpayer to carry forward any excess of the tax credit until it is exhausted.

The director of taxation is authorized to prepare necessary forms, require the taxpayer to furnish information to ascertain the validity of a claim for the tax credit, and to adopt rules necessary to effectuate the purpose of the bill.

The bill is effective upon approval and applies to taxable years beginning after December 31, 2025. It also has a sunset date of December 31, 2030.

First, DOTAX recommends that the bill be amended to include a five-year time limit to claim any credit carry-forward, as credits claimed further from the year in which costs are incurred are more difficult to verify.

Second, DOTAX notes that it is unable to administer aggregate caps. If the aggregate cap is maintained, DOTAX requests that the bill be amended to require a third-party to administer the aggregate cap.

Third, DOTAX notes that administering the bill as written would be difficult, as DOTAX does not have the subject-matter expertise and capability to determine whether a health plan was written by a “qualified taxpayer” in a “non-rural medically underserved area,” a “partially rural medically underserved area,” or a “rural medically underserved area” of Hawai’i.

Fourth, DOTAX notes that the bill as written implies that the plan must be “written.... in” the area being served, rather than written in Hawai’i for the areas to be served.

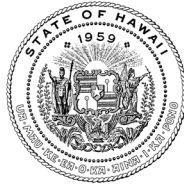
Fifth, DOTAX notes that the term “rural” is not defined, although it is one of the key qualifiers regarding eligibility to claim the credit. This may create ambiguity whether

certain “health plans” or “qualified taxpayers” qualify for the tax credit, or what tier they may claim the credit under. Also, while the term “population” is defined, this term is not otherwise used in the bill. DOTAX recommends removing this definition if it is not required to achieve the purposes of the bill.

Sixth, 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, which account information is 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” under the bill as currently written.

Finally, 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.

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



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

February 4, 2026

To: The Honorable Gregg Takayama, Chair,
The Honorable Sue L. Keohokapu-Lee Loy, Vice Chair, and
Members of the House Committee on Health

Date: Wednesday, February 4, 2026
Time: 9:00 a.m.
Place: Conference Room 329, State Capitol

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

Re: H.B. 1547 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 HB1547 aims to broaden access through high-deductible health plans paired with health savings accounts, the Department has concerns regarding how these plans align with Hawaii's Prepaid Health Care Law and whether they remain affordable for Hawaii's residents.

HB1547 proposes to amend Chapter 235, Hawaii Revised Statutes (HRS) by:

- Creating a tiered, nonrefundable tax credit for qualified insurers that write federally qualified health savings accounts-eligible high-deductible health plans (HDHP) in Hawaii,
- Enroll an unspecified minimum number of policyholders in the plans, and
- Match 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 that an employer provide an eligible employee with health insurance by a Prepaid Healthcare plan qualifying under section §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 HOUSE BILL

The Department appreciates the proactive approach in HB1547 to expand coverage options and address gaps created by recent federal changes. While expanding access to high-deductible health plans paired with health savings accounts may offer additional flexibility for certain individuals, DLIR has two key concerns relating to compliance and affordability:

1. **Employer Compliance.** HDHP plans do not satisfy employer obligations under Hawaii's Prepaid Healthcare (PHC) Law, Chapter 393, HRS. Some employers may mistakenly assume these plans meet statutory requirements. However, the PHC law mandates coverage that adheres to strict benefit and cost-sharing standards. All private sector employers in Hawaii are required to provide PHC 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 PHC law remain fully compliant with their obligation to provide qualifying employee coverage.
2. While HSA 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 Hawaii's prevalent plans. The prevalent plans circumscribe the out-of-pocket maximums and deductibles offered by Prepaid Plans.

Out of Pocket Maxims		
	Hawaii'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 Hawaii's longstanding standards. While HB1547 seeks to broaden coverage options, it is critical that an expansion clearly acknowledges the financial realities facing Hawaii's workforce and affirm that HDHP paired with HSAs cannot substitute for PHC complaint 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.

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: HB 1547

INTRODUCED BY: KAHALOA, AMATO, ILAGAN, KEOHOKAPU-LEE LOY, KILA, KUSCH, LOWEN, MIYAKE, MORIKAWA, TAKAYAMA, TAM

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 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 HAS-eligible health plan that is written by a qualified taxpayer:

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 total amount of credits per taxpayer is limited to \$ _____ per year. There is also an aggregate cap of \$ _____ per year; if a taxpayer's credit is disallowed because the aggregate cap is exceeded, the taxpayer is allowed the deduction for the next year.

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 on or before the end of the twelfth month 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.

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.

EFFECTIVE DATE: 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.”

Digested: 2/1/2026



Hawaii Medical Association

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HOUSE COMMITTEE ON HEALTH

Representative Gregg Takayama, Chair

Representative Sue Keohokapu-Lee Loy, Vice Chair

Date: February 4, 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 HB 1547 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 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

Elizabeth A Ignacio, MD, Chair • Robert Carlisle, MD, Vice Chair • Christina Marzo, MD, Vice Chair
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

2026 Hawaii Medical Association Officers

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Laeton Pang, MD, Treasurer • Thomas Kosasa, MD, Secretary • Marc Alexander, Executive Director

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.

Haught, 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.

2024 Hawaii Medical Association Officers

Elizabeth Ann Ignacio, MD, President • Nadine Tenn-Salle, MD, President Elect • Angela Pratt, MD, Immediate Past President
Jerris Hedges, MD, Treasurer • Thomas Kosasa, MD, Secretary • Marc Alexander, Executive Director

2024 Hawaii Medical Association Public Policy Coordination Team

Beth England, MD, Chair
Linda Rosehill, JD, Government Relations • Marc Alexander, Executive Director

HB-1547

Submitted on: 2/2/2026 10:40:46 AM

Testimony for HLT on 2/4/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Robert Thomas Carlisle, MD, MPH	Individual	Support	Written Testimony Only

Comments:

HOUSE HEALTH COMMITTEE

Rep Gregg Takayama, Chair

Rep. Sue L. Keohokapu-Lee Loy, Vice Chair

Date: 2 FEB 2026

From: Robert Carlisle, MD, MPH

RE: HB 1547; qualified taxpayer insurers to match up to a certain amount of a policyholder's first-time contribution into a health savings account.

Position: Support

Thank you for allowing testimony on HB 1547. As an individual, I recognize that access to health care coverage is vital for the people of Hawai'i. The pending losses through QUEST and the Marketplace for health care coverage produce risk for adverse health outcomes. Employer matching of contributions to a health savings account (HSA)—while limited in scope to those falling under employed positions and to those with the benefit of being able to personally afford contributions—is part of a series of creative responses to facilitate basic health care access in the short and long terms.

Thank you for allowing testimony on this bill.

Robert Thomas Carlisle, MD, MPH