

A Bill for an Act Relating to Insurance.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that the federal Patient Protection and Affordable Care Act (P.L. 111-148), as amended, permits states to establish a basic health program to provide health benefits to certain low-income individuals who do not qualify for medicaid and who would otherwise be eligible to purchase health insurance through a health insurance exchange. Under the basic health program, states would receive federal subsidies to finance a portion of the cost of providing basic health insurance benefits for these individuals.

The legislature further finds that, although the intent of the program would be to expand access to health care, there remains a number of unknown factors that may significantly affect the program's ongoing cost to the State and its ability to successfully implement the program. Although federal subsidies are promised to support elements of the basic health program, the amount of federal support available is not clear, nor is it firmly established that the federal government is committed to continuing those subsidies at sustained levels for the long term. To compound the problem further, the federal agency designated to administer the basic health program, to date, has issued no regulations or detailed guidance to the states regarding the operation or financing of many aspects of the basic health program called for in the Affordable Care Act.

The implementation of a basic health program in Hawaii may present opportunities for the State to help provide health insurance for low-income individuals, but it also may present significant financial risks and costs to the State both short-term and long-term. The legislature finds that several other states have already undertaken studies of the feasibility of implementing a basic health program, and they have reached inconclusive results due to the many unknown factors involved in operating such a program. The legislature recognizes that the creation of a basic health program is an option, not a mandate, for the State. The legislature also recognizes that the insurance commissioner is preparing to initiate an actuarial analysis on the impacts of a basic health program in Hawaii. Accordingly, the legislature finds that the decision to create a basic health program in Hawaii is a significant policy decision that first deserves careful analysis of the financial costs and benefits to Hawaii, the effects of the program on other agencies and organizations in the State, including the Hawaii health connector, and the delivery of health care as a whole.

The purpose of this Act is to:

- (1) Require legislative authorization for the establishment of a basic health program, pursuant to the Patient Protection and Affordable Care Act; and
- (2) Require the insurance division of the department of commerce and consumer affairs to undertake a feasibility study of establishing a basic health program in Hawaii.

SECTION 2. Any department, agency, officer, or other entity of the State, administratively or otherwise, seeking to establish a basic health program, as contemplated by section 1331 of the federal Patient Protection and Affordable Care Act (P.L. 111-148), as amended, shall submit proposed legislation to the speaker of the house of representatives and the president of the senate no later than twenty days prior to the convening of a regular session of the legislature, for introduction and consideration by the legislature, that authorizes or

directs the establishment and operation of a basic health program. A report on the feasibility, plan for sustainability, and benefits of establishing a basic health plan shall accompany the requested legislation.

SECTION 3. (a) The insurance division of the department of commerce and consumer affairs shall prepare a comprehensive study on the feasibility of establishing a basic health program in Hawaii that includes but is not limited to an analysis of the:

- (1) Short-term and long-term financial costs and benefits to the State;
- (2) Immediate and ongoing availability of federal funds to support the program and requirements for long-term sustainability;
- (3) Options for selecting providers for the program;
- (4) Effect of the program on relevant existing health care providers and health care organizations, programs, and agencies, including the Hawaii health connector;
- (5) Potential benefits to enrollees of the program compared to the potential drawbacks to these same individuals if a basic health program is not offered; and
- (6) Any other considerations that may impact the overall delivery of health care in Hawaii.

(b) The insurance division of the department of commerce and consumer affairs shall submit a report of its findings and recommendations including any proposed legislation to the speaker of the house of representatives and the president of the senate no later than twenty days prior to the convening of the regular session of 2013.

SECTION 4. This Act shall take effect upon its approval.

(Approved July 6, 2012.)