

JAN 19 2007

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# 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 small business  
2 remains the backbone of the State's economy. However, that  
3 sector of small business comprising sole proprietorships suffers  
4 a distinct and unfair disadvantage in obtaining health insurance  
5 coverage. Specifically, a sole proprietorship that seeks health  
6 coverage for the individual sole proprietor pays more in  
7 premiums than an incorporated entity consisting of only one  
8 employee for similar and often reduced coverage. In both cases,  
9 only one individual is involved but coverage is more expensive  
10 and reduced in nature for a sole proprietor than for an  
11 individual who has incorporated but remains the corporation's  
12 sole employee. For example, it has been reported that one  
13 insurer in the State will charge \$286.25 monthly beginning on  
14 January 1, 2007, for coverage offered to sole proprietors but  
15 charges only \$277.90 monthly for slightly better benefits for a  
16 sole employee of a corporation.



1           The purpose of this Act is to require all health insurers  
2 in the State to provide price and benefits parity for health  
3 insurance coverage offered to individuals who are sole  
4 proprietors on a par with individuals who are sole employees in  
5 a corporation.

6           SECTION 2. Chapter 431, Hawaii Revised Statutes, is  
7 amended by adding a new section to article 10A to be  
8 appropriately designated and to read as follows:

9           "§431:10A-           Benefits and premium parity; sole  
10 proprietors and sole employees of a corporation. No insurer  
11 that issues any accident and health or sickness insurance health  
12 policy, contract, plan, or agreement, issued, amended, or  
13 renewed in this State after December 31, 2007, that offers  
14 health coverage to a sole proprietor of a business entity, shall  
15 provide benefits that are lower or charge premiums that are  
16 higher than the benefits provided to and the premiums charged by  
17 the insurer to an individual who is the sole employee of a  
18 corporation."

19           SECTION 3. Chapter 432, Hawaii Revised Statutes, is  
20 amended by adding a new section to article 1 to be appropriately  
21 designated and to read as follows:



1            "§432:1-           Benefits and premium parity; sole proprietors  
2 and sole employees of a corporation. No mutual benefit society  
3 that issues any individual hospital or medical service plan,  
4 policy, contract, or agreement, issued, amended, or renewed in  
5 this State after December 31, 2007, that offers health coverage  
6 to a sole proprietor of a business entity, shall provide  
7 benefits that are lower or charge premiums that are higher than  
8 the benefits provided to and the premiums charged by the mutual  
9 benefit society to an individual who is the sole employee of a  
10 corporation."

11           SECTION 4. Chapter 432D, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14           "§432D-           Benefits and premium parity; sole proprietors  
15 and sole employees of a corporation. No health maintenance  
16 organization that issues any policy, contract, plan, or  
17 agreement, issued, amended, or renewed in this State after  
18 December 31, 2007, that offers health coverage to a sole  
19 proprietor of a business entity, shall provide benefits that are  
20 lower or charge premiums that are higher than the benefits  
21 provided to and the premiums charged by the health maintenance



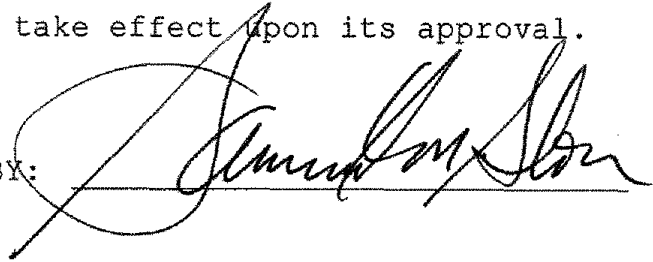
1 organization to an individual who is the sole employee of a  
2 corporation."

3 SECTION 5. New statutory material is underscored.

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

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INTRODUCED BY:



**Report Title:**

Health Insurance; Parity; Sole Proprietorship and Corporation

**Description:**

Beginning 1/1/2008, prohibits health insurers, mutual benefit societies, and HMOs from providing lower benefits or charging higher premiums to sole proprietors than they provide or charge to the sole employee of a corporation.

