
HOUSE RESOLUTION

URGING THE ATTORNEY GENERAL TO INITIATE AN INVESTIGATION AND CORPORATE AUDIT OF THE HAWAII MEDICAL SERVICES ASSOCIATION'S PRACTICE OF MAINTAINING AN EXCESSIVE SURPLUS, PROVIDING LARGE BONUSES TO STAFF, AND REIMBURSEMENT PATTERNS OVER THE PAST TEN YEARS TO DETERMINE IF THE CHARITABLE RETURN TO THE COMMUNITY JUSTIFIES ITS NONPROFIT STATUS.

1 WHEREAS, Hawaii Medical Services Association (HMSA) covers
2 60 percent of the health insurance in the state; and

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4 WHEREAS, in 2007, \$1.8 million in bonuses was paid to HMSA
5 executives at the same time that the company was proclaiming
6 that doctors are leaving the state because they cannot afford to
7 work here; and

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9 WHEREAS, HMSA is exempt from state premium taxes because it
10 was set up in 1938 as a mutual benefit society; and

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12 WHEREAS, this exemption allowed HMSA to withhold \$560
13 million in state taxes over the past ten years;

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15 WHEREAS, the State's safety net hospitals, organized under
16 the Hawaii Health Systems Corporation (HHSC), reported a deficit
17 of \$30.8 million, which prompted them to approach the
18 Legislature with a request this session for an emergency
19 appropriation to ensure continuous services; and

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21 WHEREAS, a recent study showed that Hawaii hospitals
22 receive 92 cents on the dollar of its costs from commercial
23 insurers; and

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25 WHEREAS, contrary to the study, HMSA has stated that
26 reimbursements to doctors average 120 percent of the Medicare
27 rate; and

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29 WHEREAS, the national average for medical reimbursements is
30 close to 135 percent of the Medicare fee schedule; and



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WHEREAS, HMSA's actions in:

- (1) Providing minimal reimbursements to health care providers;
- (2) Rewarding its executives with large bonuses at the expense of Hawaii's health care safety net;
- (3) Maintaining an enormous surplus rather than providing fair rates of reimbursements; and
- (4) Offering charitable services to the community that would justify its tax-exempt status,

justify action on behalf of the State in investigating HMSA's business practices and its tax-exempt status; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-fourth Legislature of the State of Hawaii, Regular Session of 2008, that the Attorney General is urged to initiate an investigation and corporate audit of HMSA's practice of maintaining an excessive surplus, providing large bonuses to staff in relation to its nonprofit status, and its reimbursement patterns over the past ten years, to determine if the HMSA's charitable return to the community justifies its nonprofit status; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Attorney General, Insurance Commissioner of the Department of Commerce and Consumer Affairs, Chief Executive Officer of HHSC, and Chief Executive Officer of HMSA.



OFFERED BY:

Josh Green M.D.
Karen Awana
John M. [Signature]
Karl [Signature]
 [Signature]

MAR 06 2008