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## HOUSE RESOLUTION

URGING THE INSURANCE COMMISSIONER 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



1  
2 WHEREAS, HMSA's actions in:

- 3  
4 (1) Providing minimal reimbursements to health care  
5 providers;  
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7 (2) Rewarding its executives with large bonuses at the  
8 expense of Hawaii's health care safety net;  
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10 (3) Maintaining an enormous surplus rather than providing  
11 fair rates of reimbursements; and  
12  
13 (4) Offering charitable services to the community that  
14 would justify its tax-exempt status,  
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16 justify action on behalf of the State in investigating HMSA's  
17 business practices and its tax-exempt status; now, therefore,  
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19 BE IT RESOLVED by the House of Representatives of the  
20 Twenty-fourth Legislature of the State of Hawaii, Regular  
21 Session of 2008, that the Insurance Commissioner is urged to  
22 initiate an investigation and corporate audit of HMSA's practice  
23 of maintaining an excessive surplus, providing large bonuses to  
24 staff in relation to its nonprofit status, and its reimbursement  
25 patterns over the past ten years, to determine if the HMSA's  
26 charitable return to the community justifies its nonprofit  
27 status; and  
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29 BE IT FURTHER RESOLVED that certified copies of this  
30 Resolution be transmitted to the Attorney General,  
31 Insurance Commissioner of the Department of Commerce and  
32 Consumer Affairs, Chief Executive Officer of HHSC, and Chief  
33 Executive Officer of HMSA.  
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