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LAWRENCE M. REIFURTH  
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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Monday, February 25, 2008  
2:45 p.m.

**TESTIMONY ON HOUSE BILL NO. 2151 H.D. 1 – RELATING TO CAPTIVE  
INSURANCE.**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). While the Department supports the apparent intent of this bill, which is to lower medical malpractice insurance costs for Hawaii's medical doctors and increase patient access to efficient and effective medical care, we are strongly opposed to the bill's proposed approach.

As currently drafted, this bill basically establishes a "new" insurance company to provide medical malpractice insurance coverage to Hawaii doctors in the hope that its costs will be lower than those offered by Hawaii's commercial insurance companies, and will thus be able to pass along savings to doctors in the form of lower premiums. This approach does NOT address the primary medical malpractice insurance cost driver, the current healthcare liability system which includes a costly and ineffective mechanism for resolving healthcare liability claims and compensating injured patients.

**DCCA Testimony of J.P. Schmidt**  
**H.B. No. 2151 H.D. 1**  
**February 25, 2008**  
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As noted in our testimony in the previous hearing of this bill, the Department strongly supports the comprehensive approach taken in H. B. No. 3102, because it establishes some certainty and predictability to the essential elements that directly impact medical malpractice insurance costs. These elements include: economic damages, and contingent legal fees, as well as definitions of terms such as recovery, medical tort and health care providers. Enhanced predictability of these elements will have the ultimate effect of moderating and even decreasing the cost of medical malpractice insurance for Hawaii's doctors so that Hawaii's citizens will have effective and timely access to medical care.

We strongly urge this committee to replace the approach contemplated by this bill, and replace it with the approach and language of H.B. 3102.

Thank you for the opportunity to testify on this measure.



February 25, 2008

The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn Lee, Vice Chair

House Committee on Finance

**Re: HB 2151 HD1 – Relating to Captive Insurance**

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare  
Hawaii Medical Assurance Association  
HMSA  
Hawaii-Western Management Group, Inc.

MDX Hawai‘i  
University Health Alliance  
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a Legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify in support of HB 2151 HD1 which could offer another alternative to physicians in Hawaii through the creation of a captive medical malpractice insurer offering coverage for self-employed physicians. This entity may be able to offer lower medical malpractice insurance premiums thus assisting physicians with the spiraling cost of medical malpractice insurance.

We agree with statements made by local physician organizations that the current medical tort system drives significant “defensive medicine” costs and has led to neighbor island shortages in key surgical specialties. In our role as health insurance providers, the members of HAHP see these facts daily in our medical claims costs and in limitations in the numbers and types of our contracted physicians on neighbor islands.

• *AlohaCare* • *HMAA* • *HMSA* • *HWMG* • *MDX Hawaii* • *UHA* • *UnitedHealthcare* •  
HAHP c/o Howard Lee, UHA, 700 Bishop Street, Suite 300 Honolulu 96813  
[www.hahp.org](http://www.hahp.org)

Thank you for the opportunity to offer comments today.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Jackson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rick Jackson  
President



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**Alison Powers**  
Executive Director

## TESTIMONY OF ALISON POWERS

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HOUSE COMMITTEE ON FINANCE  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

Monday, February 25, 2008  
2:45 p.m.

### **HB 2151, HD1**

Chair Oshiro, Vice Chair Lee, and members of the committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

The Hawaii Insurers Council **opposes** HB 2151, HD1. The bill would create a new leased capital facility to provide medical malpractice insurance to physicians in the State of Hawaii.

Hawaii Insurers Council respectfully opposes this bill on the basis that currently there is an existing market to insure medical malpractice risks. It is a highly specialized field of the insurance industry, which includes physician-owned reciprocal insurers as major players. The Council respectfully questions whether the existing market is so inadequate as to require the Legislature to create a new market entrant.

We respectfully request that HB 2151, HD1 be held.

Thank you for the opportunity to testify.

## FINtestimony

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**From:** Lambert Wai [lambertwai@yahoo.com]  
**Sent:** Saturday, February 23, 2008 5:09 PM  
**To:** FINtestimony  
**Subject:** 2/25/2008%20HB2151%20Agenda%20#5

My name is Lambert Wai.

Although I belong to several organizations who have interests in persons with developmental disabilities, I am submitting this testimony as an individual who has been an advocate for people with developmental disabilities for approximately 50 years. I was happy to chair the task force that created the Hawaii Disability Rights Center (formerly known as Kahua HooMalu Kina, Inc.) and obtained Governor Ariyoshi's Executive Order that implemented this "protection and advocacy agency" for the developmentally disabled as I felt strongly that this was another avenue to improve the quality of life for persons with developmental disabilities. I am also a strong believer that an agency that receive government funding as the Hawaii Disability Rights Center does, should have periodic audits (financial and programmatic) so as to assure that (1) its mission is being followed, (2) there is no abuse of power in the pursuit of its mission, and (3) that the audit process clears up any ambiguity that might exist between the agency's authority and other authorities that exist in this field.

ACCORDINGLY, I STRONGLY SUPPORT THIS LEGISLATION!

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