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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Wednesday, February 20, 2008  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2224 – RELATING TO INSURANCE.**

TO THE HONORABLE ROBERT N. HERKES, 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”). We support this bill, which provides for guaranteed issue of health insurance for part time workers who work at least fifteen hours a week, provided that the worker pays the premium.

Part time workers are a significant portion of the uninsured and if they are offered insurance and the premium rate is affordable, the number of uninsured may go down. Guaranteed issue is nothing new in health insurance. There are substantial guaranteed issue requirements for small employers under the Health Insurance Portability and Accountability Act. It should be noted however that there is an open question as to what premium rate will be attached to the policies offered to this group of people. We do not currently know the health history of the part time workers that will choose to participate in this pool. We also point out that only the part time employees who really need the insurance are likely to agree to pay for it. If this happens, it may increase the

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percentage of those in the rated pool that are higher risk, resulting in higher premiums for the employer group. In sum, the rating aspect of this bill is far from clear. Until we know how high the premium rate is, we are not able to predict accurately how successful this bill will be in reducing the number of the uninsured.

We commend to this Committee's attention the Administration bill from last session, HB 1320. That bill provides guaranteed issue to part time workers of small employers, but also provides guaranteed issue for the approximately 12,000 sole proprietors in the market. If the Legislature is interested in reducing the numbers of the uninsured, both populations should be addressed.

We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.



**Testimony to the House Committee on Consumer Protection & Commerce  
Wednesday, February 20, 2008; 2:00 p.m.  
Conference Room 325**

**RE: HOUSE BILL NO. 2224 RELATING TO INSURANCE**

Chair Herkes, Vice Chair McKelvey and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports the intent of House Bill No. 2224, relating to Insurance.

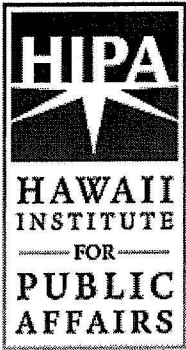
The Chamber is the largest business organization in Hawaii, representing over 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The measure requires insurers that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working at least 15 hours per week.

Providing adequate and quality health care is essential in producing a healthy population and economy. Although we support the intent, the Chamber has serious concerns about the potential unintended consequences of this measure. We believe this bill could adversely impact the business community such as increases in premium costs due to adverse selection. Businesses, especially small companies with part-time employees, already face high costs of doing business.

The Chamber believes that further evaluation of the impact of this measure and concerns of all parties need to be addressed first.

In light of the above, The Chamber of Commerce of Hawaii supports the intent of HB 2224. Thank you for the opportunity to testify.



BEFORE THE  
HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

Rep. Robert N. Herkes, Chair  
Rep. Angus L.K. McKelvey, Vice Chair

TESTIMONY OF  
WILLIAM M. KANEKO  
President & CEO  
Hawaii Institute for Public Affairs

**HB2224 RELATING TO INSURANCE.**

Wednesday, February 20, 2008, 2:00 pm  
Conference Room 325

Chair Herkes and members of the Committee:

The Hawaii Institute for Public Affairs (HIPA) supports HB2224. This measure requires insurers that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working at least 15 hours per week.

Over the past several years, HIPA's Hawaii Uninsured Project conducted extensive policy research on Hawaii's medically uninsured. About nine percent or 110,000 persons in Hawaii are without health insurance. This is unacceptable. While Hawaii's Prepaid Health Care Act (PHCA) is the cornerstone to healthcare in Hawaii, part-time and self-employed workers are exempt from Hawaii's existing employer-based insurance system. In total, there are about 16,000 self-employed and part-time workers. As provided in HB2224, creating purchasing pools for PHCA exempt groups was one of the recommendations of the Hawaii Uninsured Project, and is a viable mechanism to expanded health insurance coverage.

It is well-documented that the uninsured suffer from poor health status and many die prematurely. Further, uninsured children lose the opportunity for normal development and educational achievement when preventable health conditions go untreated. Therefore, the adverse social and financial impacts of having uninsured in our society can be both far-reaching and have long-term consequences. The long-term benefit of "Coverage for All," including a strong safety net, is the opportunity to manage people's care, which ultimately leads to a healthier society.

HIPA supports the Legislature's efforts to expand health insurance coverage for Hawaii's people. Please pass HB2224. Thank you for the opportunity to testify on this matter.



# HAWAII TEAMSTERS AND ALLIED WORKERS, LOCAL 996

Affiliated with the International Brotherhood of Teamsters.

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Representative Robert Herkes, Chair  
Representative Angus McKelvey, Vice-Chair  
Committee on Consumer Protection and Commerce

Date: Feb. 20, 2008, 2pm, room 325

Re: Support HB2224

The Hawaii Teamsters Local 996 negotiates and enforces over 50 contracts serving 6000 members in various industries in Hawaii and Guam. Our contracts provide for conditions of employment, Wages, and Fringe Benefits that include Medical Coverage for full time and regular part time workers.

HB2224 allows workers to qualify for medical insurance coverage, who for whatever reason may not be able to work more hours.

The Hawaii Teamsters Local 996, Supports HB2224.

Thank you for the opportunity to testify.

Glenn Ida  
Local 996 PAC Co-Chair  
295-1280

Testimony of  
Phyllis Dendle  
Director of Government Affairs

Before:  
House Committee on Consumer Protection and Commerce  
The Honorable Robert N. Herkes, Chair  
The Honorable Angus L.K. McKelvey, Vice Chair

February 20, 2008  
2:00 pm  
Conference Room 325

**HB 2224 RELATING TO INSURANCE (Part-time employees)**

Chair Herkes and committee members, thank you for this opportunity to provide testimony on HB2224 which requires health insurance plans to offer the same coverage to part-time employees as provided to regular employees. The part-time employee would pay for this benefit if they choose to be covered.

**Kaiser Permanente Hawaii supports the intent of this measure.**

We appreciate the legislature's efforts to reduce the number of uninsured persons in Hawaii. We also want to acknowledge the effort in this bill to minimize the impact on employers. However, this proposal is not without impact.

As written, while the employer as mandated by law would cover all full-time employees; it would be at the option of the part-time employee to purchase this coverage. This creates a group of voluntary participants.

Experience tells us that a voluntary pool will have participants that use more health care. This is because they may choose not to purchase health coverage when they are healthy but will buy it when they need health care services. In a mandatory pool both the healthy that use few services and the less healthy that use more services are compelled to purchase insurance, which provides some balance. Given that assumption, the premiums are likely to become higher with this additional voluntary pool than in a solely mandatory pool.

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This difference between mandatory and voluntary purchase has a direct impact on risk and its associated costs for all employees and employers.

If there were a way to assure that all part-time employees and not just those who need health services would purchase health coverage much of this risk would be reduced. If it is still at the option of the part-time employee to purchase coverage than the law should provide disincentives for jumping in and out of health plans based on the need for coverage.

This bill is well intentioned in wanting to provide more opportunity for uninsured people to get comprehensive insurance however it may have the unintended consequence of increasing premiums for businesses who currently must purchase health coverage for regular employees.

Since it was the legislature's intent to not have a financial impact on employers we request that you consider the negative impact this bill could have. Thank you for your consideration.

# HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 20, 2008

The Honorable Robert N. Herkes, Chair  
The Honorable Angus L.K. McKelvey, Vice Chair

House Committee on Consumer Protection and Commerce

**Re: HB 2224 – Relating to Insurance**

Dear Chair Herkes, Vice Chair McKelvey and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2224 which would require health plans that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working at least 15 hours per week.

This bill seeks to fill a void in the Prepaid Health Care Act (PHCA) by requiring health plans to offer group coverage to employers for their part-time employees. These benefits would be made available to employees working between fifteen and twenty hours a week without requiring the employer to fund the premium.

If HB 2224 were to pass without a mandate for part-time employees to purchase health care coverage, small group health plans could begin to see costs rise due to adverse selection. That being said, this initiative would provide an option for health care coverage that part-time workers currently do not have. Providing this alternative could help working individuals who are unable to obtain health care coverage, thus decreasing the number of uninsured in the state.

Thank you for the opportunity to testify in support of HB 2224.

Sincerely,

Jennifer Diesman  
Director, Government Relations