



LINDA LINGLE  
GOVERNOR  
JAMES R. AIONA, JR.  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: (808) 586-2850  
Fax Number: (808) 586-2856  
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH  
DIRECTOR  
RONALD BOYER  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Monday, February 11, 2008  
2:05 p.m.

**TESTIMONY ON HOUSE BILL NO. 2291, H.D. 1 – RELATING TO HEALTH  
INSURANCE**

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department opposes this bill, which creates a state authority tasked with the duty of laying the groundwork for a single payer system to provide health care to all of Hawaii’s people.

The problem with single payer systems is that they are often underfunded. In Medicare, for example, there is chronic under-reimbursement of doctors. In Canada and Britain there are long waiting periods for treatment, so long that some people die while they’re waiting. In addition, because of the limited budgets, the medical care differs somewhat from the kind of extensive choices in healthcare we get in the United States. For example, in Canada there are very few MRI units and elective hip surgery is a rarity. We are concerned that there is no guarantee that the Legislature will have a commitment to full funding of a single payer system year in and year out as medical costs rise. If there is inadequate funding, then healthcare will suffer.

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About half of the 9 percent of the population that is uninsured is eligible for some type of government program. In addition, there are incremental changes that can be made to reduce the number of uninsured. For example, last session the Administration introduced HB 1320 to provide guaranteed issue of health insurance to sole proprietors and part time workers of small businesses. These are the kinds of measures that we should be pursuing before considering a more radical change like a shift to a single payer system.

We are also concerned that the bill places the burden of the healthcare costs on employees' salaries. Taken together with income and payroll taxes, this would be a heavy burden on the working people of the State. If healthcare costs are increasing every year and the healthcare assessment takes a larger percentage of the employee's salary every year, this funding mechanism may not be sustainable over the long term.

It should also be noted that health insurance expenses are deductible for federal income tax purposes when the employer pays for it. This represents a significant subsidy of healthcare costs from the federal government that could be lost in a switch to an employee financed single payer system, if the Prepaid Health Care Act is repealed as is suggested by the bill.

Finally, we point out that the issue of single payer was studied by the Hawaii Healthcare Task Force in 2005. The Task Force submitted a report to the Legislature including a feasibility study. No conclusions regarding single payer were reached except to say that further study was needed.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE  
ON  
HOUSE BILL NO. 2291, H.D. 1

February 11, 2008

RELATING TO HEALTH INSURANCE

House Bill No. 2291, H.D. 1, proposes to create a State Health Authority, designated as the State Medicaid Agency, which would be responsible for developing a comprehensive plan to provide State-funded health insurance for individuals with incomes up to 300% of the federal poverty level, developing a detailed plan for purchasing all health care for all residents of the State, and adopting all optional services allowed under the Medicaid program.

We are opposed to this bill.

We have concerns on the feasibility of establishing State-funded universal health care for all Hawaii residents. It is uncertain whether the system (i.e., the State) can accommodate the additional costs of providing health care for those who are not currently insured. It is also unclear how the healthcare plans of the Employer-Union Health Benefits Trust Fund and the plans of private employers will be combined into a single entity.

Further, the bill makes the proposed State Health Authority responsible for overall health planning for the State and for determining future capacity needs of health providers, facilities, equipment, and support services providers. This responsibility duplicates the functions of the State Health Planning and Development Agency.

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HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
Rep. Robert Herkes, Chair

Conference Room 325  
Monday, February 11, 2008 at 2:05 p.m.

Testimony in opposition to HB 2291 HD 1.

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in opposition to HB 2291 HD 1, which establishes an authority develop a plan to purchase health care for all residents of Hawaii.

The Healthcare Association recognizes the well-meaning intent of this bill. Nearly 10% of Hawaii's population is estimated to be without health care insurance – a distressing statistic, especially considering that this figure was once as low as 3%.

There is broad agreement that efforts should be made to reduce the proportion of uninsured in Hawaii. However, even among those with considerable knowledge about the complex health care environment, there are considerable differences of opinion about how to expand health care insurance coverage. In order to gather these varied opinions, promote discussion, and resolve differences, the Legislature passed Act 223 in 2005. This Act created a task force to develop a plan to implement health care for all Hawaii residents.

The task force included broad representation from health care providers, consumers, and government agencies. It conducted a series of meetings for nearly a year, received testimony from the public and also contracted with a consultant to perform a cost analysis for a single payer system. In June of 2006 the task force issued a report that included findings and recommendations.

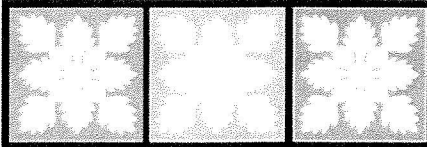
The recommendations included the following: (1) Develop a comprehensive health care provider map indicating the availability of various categories of providers; (2) Increase payments to providers by State insurance programs; and (3) Stabilize funding for community health centers and other providers that serve the uninsured. Bills were introduced to accomplish all of these objectives. However, not all the bills were passed.

The task force also recommended that resources be provided to continue its existence for an additional two years in order to continue its deliberations, particularly with regard to the single payer concept. The Healthcare Association endorsed all of these recommendations. However, the task force ceased to function in 2006.

The task force accumulated substantial information about single payer systems during its existence. Rather than create a new authority without any collective experience, as proposed by SB 2291 HD 1, the task force created by Act 223, SLH 2005, should be revived instead.

For the foregoing reasons, the Healthcare Association of Hawaii opposes SB 2291 HD 1.

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## Hawaii Association of Health Plans

February 11, 2008

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

**Re: HB 2291 HD1 – Relating to Health Insurance**

Dear Chair Herkes, Vice Chair McKelvey 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	MDX Hawai‘i
Hawaii Medical Assurance Association	University Health Alliance
HMSA	UnitedHealthcare
Hawaii-Western Management Group, Inc.	

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 on HB 2291 HD1 which would establish a State Health Authority to propose a plan to provide medical assistance for all citizens of Hawaii. We recommend that the committee hold this bill for the reasons stated below.

During the 2005 legislative session, the Hawaii Health Care Task Force was created via HB 1304 to develop a plan for implementing health care for all the residents of Hawaii. To accomplish this goal, The Lewin Group was contracted to perform a study on this issue. The language contained in the measure before you today would seem to be requesting the State perform work which has already been accomplished by the Task Force rendering it duplicative and possibly unnecessary.

Thank you for the opportunity to offer comments today.

Sincerely,

Rick Jackson  
President

# HMSA



Blue Cross  
Blue Shield  
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 11, 2008

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

House Committee on Consumer Protection and Commerce

**Re: HB 2291 HD1 – Relating to Health Insurance**

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2291 HD1 which would establish the State Health Authority to propose a plan to provide medical assistance for all residents of Hawaii. While we appreciate the intent of this measure we believe that the initiative outlined in HB 2291 HD1 could be premature.

It is worth noting that health care has become a central part of the national conversation recently, especially with the attention focused on the presidential primary races. All of the front runners have put forth their vision on how to reform the health care system in America. Some of these proposals even contain components similar to Hawaii's Prepaid Health Care Act.

With so much of this dialogue still in flux, we believe that rather than moving ahead to develop a Hawaii-specific plan that wouldn't be implemented until 2012, we conserve the State's time and resources and take a more cautious approach to see what develops on the federal level.

Thank you for the opportunity to testify on HB 2291 HD1.

Sincerely,

Jennifer Diesman  
Director, Government Relations

