



# LATE TESTIMONY

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](http://www.hawaii.gov/dcca)

LAWRENCE M. REIFURTH  
DIRECTOR

RONALD BOYER  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON HEALTH  
AND HUMAN SERVICES AND PUBLIC HOUSING

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Wednesday, January 30, 2008  
1:15 p.m.

## TESTIMONY ON SENATE BILL NO. 2101 – RELATING TO HEALTH INSURANCE

TO THE HONORABLE DAVID Y. IGE AND SUZANNE CHUN OAKLAND, CHAIRS,  
AND MEMBERS OF THE JOINT COMMITTEES:

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.

About half of the 9 percent of the population that is uninsured are eligible for some type of government program. In addition, there are incremental changes that can be made to reduce the number of the 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.