



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 SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND AFFORDABLE HOUSING

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Thursday, February 21, 2008
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2530, S.D. 1 – RELATING TO HEALTH
INSURANCE SUPPORT FOR SMALL BUSINESS**

TO THE HONORABLE RUSSELL S. KOKUBUN, 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”). The Department supports this bill, which requires group health insurers to offer small group health plans to self-employed individuals who meet certain requirements. This bill could go a long way towards reducing the number of the uninsured coming from the ranks of the some 12,000 sole proprietors in the market.

We also support giving the Commissioner discretion over whether group health issuers may offer only one small group health plan to small employers that employ only one employee. In general, we should be consistent with HIPAA in offering multiple group health plans to small employers, whether they have two or more employees, one employee, or are sole proprietors. Allowing the Commissioner to grant a health issuer an exception to the general rule for employers with only one employee basis strikes a fair balance.

DCCA Testimony of J.P. Schmidt
S. B. No. 2530, S.D. 1
February 21, 2008
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We thank this Committee for the opportunity to present testimony on this matter and ask for your favorable consideration.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 20, 2008

The Honorable Russell Kokubun, Chair
The Honorable David Ige, Vice Chair

Senate Committee on Commerce, Consumer Protection and Affordable Housing

Re: SB 2530 SD1 – Relating to Health Insurance Support for Small Business

Dear Chair Kokubun, Vice Chair Ige and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2530 SD1 which would require health plans to allow sole proprietors and small businesses with no employees be eligible for group health care coverage. HMSA has concerns with this measure.

This measure represents an initiative which has been debated by the Legislature for the past few years. Last year HMSA worked with the other stakeholders to come to consensus on language that would not only accomplish the intent of the measure but offer health plans some protection from adverse selection. SB 2530 SD1 currently contains this language.

That being said, while we appreciate the Legislature's attempt to provide individuals with health care coverage we feel there may be unintended consequences if this measure were enacted such as an increase in cost to small employers. Although this measure seeks to strike a balance between providing coverage to sole proprietors while offering some protection to small groups currently purchasing services, we believe that the cost impact remains. In order to revisit this issue in three years to examine any cost impact it has had, we would respectfully request the Committee insert a sunset date of 2011.

Thank you for the opportunity to provide our concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'JDiesman'.

Jennifer Diesman
Director, Government Relations



February 21, 2008

The Honorable Russell Kokubun, Chair
The Honorable David Ige, Vice Chair

Senate Committee on Commerce, Consumer Protection and Affordable Housing

Re: SB 2530 SD1 – Relating to Health Insurance Support for Small Business

Dear Chair Taniguchi, Vice Chair Ige 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 on SB 2530 SD1 which would require health plans to allow “sole proprietors” and “small businesses” without employees to be eligible for group health insurance coverage. HAHP has serious concerns with this measure and we oppose it.

Sole proprietors and self-employed persons present specific financial risk challenges to health plans due to the high likelihood of adverse selection. Health plans always use underwriting guidelines and rating methods designed for this risk to assure long term viability of providing coverage. This bill will not permit the usage of guidelines currently in place at our member organizations that offer such coverage.

Additionally, this bill is drafted such that anyone who gets a Hawaii General Excise Tax (HGET) license can qualify – including employees working for an employer covered by group health insurance.

We believe that this bill will likely negatively impact the underwriting basis for true employer groups – and will lead to higher premiums. Employer group rates will rise as health plans are forced to increase premiums due to this new, adversely self-selected risk pool.

For these good reasons, we ask that you hold this bill.

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



**Hawaii
Association of
REALTORS®**
www.hawaiiirealtors.com

The REALTOR® Building
1136 12th Avenue, Suite 220
Honolulu, Hawaii 96816

Phone: (808) 733-7060
Fax: (808) 737-4977
Neighbor Islands: (888) 737-9070
Email: har@hawaiiirealtors.com

February 21, 2008

The Honorable Russell S. Kokubun, Chair
Senate Committee on Commerce, Consumer
Protection & Affordable Housing
State Capitol, Room 229
Honolulu, Hawaii 96813

RE: S.B. 2530, SD1 Relating to Health Insurance Support for Small Business
Hearing Date: February 21, 2008 @ 9:00 a.m., Room 229

On behalf of our 10,000 members in Hawaii, the Hawaii Association of REALTORS® (HAR) **supports the intent of S.B. 2530, SD1.**

The intent of the measure is admirable as it seeks to expand health insurance coverage to people who live in our communities. In recent years, costs and premiums have soared, driving up the price of doing business. Despite being the only state requiring companies to provide health insurance to employees, the percentage of Hawaii residents outside of the employer mandate of the Prepaid Health Care Act is rising. This directly affects many sole proprietors and independent contractors who are not eligible, despite our large numbers, to apply for coverage as a group.

Last month, an important membership survey was circulated to assess the needs of health insurance for REALTORS®. The response rate was about 20 percent or almost 2,000 members. Of the respondents, 18 percent did not have insurance at all. And, they expressed a sincere desire to enroll in health plans that offer a benefit package, cost sharing, and premium rates that are comparable to what are offered to employees in group plans.

Mahalo for the opportunity to testify.

Testimony of
Phyllis Dendle
Director of Government Affairs

Before:
Senate Committee on Commerce, Consumer Protection, and Affordable Housing
The Honorable Russell S. Kokubun, Chair
The Honorable David Y. Ige, Vice Chair

February 21, 2008
9:00 am
Conference Room 229

SB 2530 SD1 RELATING TO HEALTH INSURANCE SUPPORT FOR SMALL BUSINESS

Chair Kokubun and committee members, thank you for this opportunity to provide testimony on SB 2530 SD1 which expands the ability of self-employed individuals to purchase health insurance coverage.

Kaiser Permanente supports the intent of this bill.

We have previously expressed concern about proposals like this that create a voluntary pool of insurance participants.

It is commonly known in the health insurance industry that the actuarial risk is higher in a voluntary pool than a mandatory pool. 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 be higher in a voluntary pool than in a mandatory pool.

This bill addresses this concern by requiring that self employed individuals enroll only during periods of enrollment or when they experience a qualifying event which is the same as group health insurance. It also sets up a system that creates disincentives to drop coverage. These limitations may serve to lessen the impact of adverse selection by self employed individuals.

We cannot be sure that this will be the case so we request that the committee amend this bill to make it for a limited time period and then reevaluate the impact of this change.

Thank you for your consideration.



**The Chamber of
Commerce of Hawaii**

Since 1850

**Testimony to the Senate Committee on Commerce, Consumer Protection &
Affordable Housing
Thursday, February 21, 2008; 9:00 a.m.
Conference Room 229**

**RE: SENATE BILL NO. 2530 SD1 RELATING TO HEALTH INSURANCE SUPPORT FOR
SMALL BUSINESS**

Chair Kokubun, Vice Chair Ige, 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 Senate Bill No. 2530 SD1, relating to Health Insurance Support for Small Business.

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 group health issuers to offer small group health plans to self-employed individuals who are licensed by the department of commerce and consumer affairs and are located in the group issuer's service areas. It authorizes the insurance commissioner to exempt certain group health plans based on specified criteria, and allows limits on timing of enrollment and reenrollment to control adverse selection and plan costs.

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 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 SB 2530 SD1. Thank you for the opportunity to testify.

TRADEWIND PAINTING

Feb. 19, 2008

TO: Chair Senator/Russell S. Kokubon

Committee of Commerce and Consumer Protection Affairs

FROM:

**Thomas Coppola DBA: Tradewind Painting License#19278
1159 Mapuana St. Kailua, Hi. 96734
Phone # 262-9821**

DATE of HEARING: Feb. 21, 2008 @9:00AM conference room #229

My name is Thomas Coppola owner of Tradewind Painting, in support of SB2530SDI / relating to health insurance support for small businesses.

REASONS:

- Not able to get affordable Health Insurance
- Not offered many choice's for affordable Health Insurance for-Sole Ownership
- Many more choices and affordable cost's are offered to Corporation's and LLC

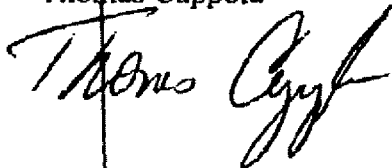
License contractor's who are Sole Ownership should be offered the same Health Insurances Plan's that are offered to Corporations and LLC. The law which is now in place is unfair who's status with the License Board is Sole Ownership.

When I was married I signed one form with no Questions asked and within 30 days I was insured with HMSA. When I reapply after my divorce, I filled out extensive application and give them tax returns and all my medical records. It took HMSA 6 mos to deny me Insurance and said I cannot reapply for 5 years, plus I am in good health and a non smoker. I now have HMAA at a high cost of \$430.68 per month with a cap on prescriptions drugs of \$1000.00 per year (THIS IS NOT A GOOD PLAN)!

I strongly support Bill#SD2530SDI, not for just myself but for others in the State of Hawaii who would benefit for this Bill.

Sincerely,

Thomas Coppola



Natalie J. Iwasa, CPA, Inc.
1331 Lunalilo Home Road
Honolulu, HI 96825
808-395-3233

DATE: February 15, 2008

TO: Public Access Room
Senator Russell Kokubun, Chair
Senate Committee on Commerce, Consumer Protection, and Affordable Housing

HEARING DATE: Friday, February 21, 2008, 9 a.m.

SUBJECT: SB2530 SD1 Relating to Health Insurance Support for Small Business

Aloha Chair and Members of the Committee,

I am in support of sole proprietors having the same opportunities as other businesses to obtain health insurance at affordable rates. While this bill will provide more health insurance options to sole proprietors, a segment of that market will still be left out in the open. Under Sec. 431:2-201.5 of the bill, a self-employed individual is "a person . . . who is licensed by the department of commerce and consumer affairs for that business." Anyone who is therefore not required to be licensed by the DCCA, such as photographers, certain business consultants and others, is not included in this bill.

Please consider amending this bill to provide the same option for all sole proprietors.

Sincerely,

Natalie Iwasa, CPA