

SB 2530



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TO THE SENATE COMMITTEE ON HEALTH

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Monday, February 4, 2008
1:15 p.m.

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

TO THE HONORABLE DAVID Y. IGE, 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 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.

However, we recommend that section (c)(2)¹ of the bill at lines 9-18 on page 3 be deleted. This section was added in the 2007 legislative session to cut back on rights that were previously available. Prior to the insertion of this section, small employers that employed only one employee were able to choose from all small group health plans. This section authorized health insurers to sell only one small group health plan

¹ This section provides: “The commissioner shall exempt from this subsection group health plans offered to small employers that employ only one employee, if the group health issuer offers the small employer groups at least one small group health plan that meets the requirements of chapter 393, and upon the determination by the commissioner that the group health issuer has the capacity to adequately deliver services to enrollees of the additional groups, subject to its obligations to existing employer groups.”

DCCA Testimony of J.P. Schmidt
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to these employers. It does not make sense to allow this to happen when the purpose of this bill is to require health plans to offer all small group health plans to sole proprietors. There is no logic behind treating small employers with only one employee worse than sole proprietors. Everyone who has guaranteed issue rights under HIPAA should be able to choose from any small group health plan offered by a health insurer. If the Committee does not wish to delete the section in its entirety, then we request that the words in this section "The commissioner shall exempt..." to the words "The commissioner [shall] may exempt...", so that the commissioner may determine on a case by case basis whether restricting employers with one employee to a single health plan is fair.

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



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February 1, 2008

The Honorable David Y. Ige, Chair
Senate Committee on Health
State Capitol, Room 215
Honolulu, Hawaii 96813

RE: S.B. 2530 Relating to Health Insurance Support for Small Business
Hearing Date: Monday, February 4, 2008 @ 2:15 p.m., Room 016

Dear Chair Ige and members of the Senate Committee on Health,

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

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 is offered to employees in group plans.

S.B. 2530 should serve as a vehicle for future amendments.

Mahalo for the opportunity to testify.

HMSA



Blue Cross
Blue Shield
of Hawaii

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February 4, 2008

The Honorable David Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

Senate Committee on Health

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

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2530 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 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.

Thank you for the opportunity to provide our concerns.

Sincerely,

Jennifer Diesman
Director, Government Relations

Testimony of
Phyllis Dendle
Director of Government Affairs

Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

Monday, February 4, 2008
1:15 PM
Conference Room 016

L A T E

SB 2530 RELATING TO HEALTH INSURANCE SUPPORT FOR SMALL BUSINESSES

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

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

Thank you for your consideration.



**Before the Senate Committee on
Health**

DATE: Monday, February 4, 2008

TIME: 1:15 p.m.

PLACE: Conference Room 016

L A T E

Re: SB 2530

**Relating to Health Insurance Support for Small Business
Testimony of Melissa Pavlicek for NFIB Hawaii**

Thank you for the opportunity to testify. On behalf of the thousands of business owners who make up the membership of the National Federation of Independent Businesses in Hawaii, we ask that you pass SB 2530. NFIB supports this measure in its current form.

The National Federation of Independent Business is the largest advocacy organization representing small and independent businesses in Washington, D.C., and all 50 state capitals. In Hawaii, NFIB represents more than 1,000 members. NFIB's purpose is to impact public policy at the state and federal level and be a key business resource for small and independent business in America. NFIB also provides timely information designed to help small businesses succeed.

We believe that improving access to affordable health insurance is an important step toward supporting Hawaii's small businesses.

Thank you for the opportunity to testify.