



**The Chamber of  
Commerce of Hawaii**

*Since 1850*

**Testimony to the House Committee on Economic Development and  
Business Concerns  
Tuesday, March 11, 2008; 8:30 a.m.  
Conference Room 229**

**RE: SENATE BILL NO. 2530 SD2 RELATING TO HEALTH INSURANCE SUPPORT FOR  
SMALL BUSINESS**

Chair Yamashita, Vice Chair Wakai, 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 SD2, relating to Health Insurance Support for Small Business, however with concerns.

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.

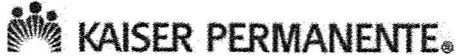
The measure requires group health issuers to offer small group health plans to self-employed individuals who are licensed by the department of commerce and consumer affairs and are located in the group issuer's service areas. It authorizes the insurance commissioner to exempt certain group health plans 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.

Thank you for the opportunity to testify.

# LATE TESTIMONY



Government Affairs

Testimony of  
Phyllis Dendle  
Director of Government Affairs

Before:  
House Committee on Economic Development and Business Concerns  
The Honorable Kayle T. Yamashita, Chair  
The Honorable Glenn Wakai, Vice Chair

March 11, 2008  
8:30 am  
Conference Room 325

## **SB 2530 SD2 RELATING TO HEALTH INSURANCE SUPPORT FOR SMALL BUSINESS**

Chair Yamashita and committee members, thank you for this opportunity to provide testimony on SB 2530 SD2 which expands the ability of self-employed individuals to purchase health insurance coverage.

### **Kaiser Permanente provides the following comments on 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 appreciate that this bill has a sunset date that will permit the reevaluation of the effects of this bill after a few years. This will help to assure that if there is a negative impact on small business then the law can be revised.

Thank you for your consideration.

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