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TO THE SENATE COMMITTEE ON COMMERCE,  
CONSUMER PROTECTION, AND AFFORDABLE HOUSING

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Monday, February 25, 2008  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2770, S.D. 1 – RELATING TO MOTOR VEHICLE INSURANCE.**

TO THE HONORABLE RUSSELL 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 has opposes with this bill.

The purpose of this bill is to create an exemption and allow insurers to exclude the mandatory offering of a managed care option to a policyholder’s personal injury protection component of the motor vehicle insurance policy. The exclusion would occur if:

*there are fewer than five managed care, health maintenance organizations, or preferred provider physicians or health care providers of the appropriate specialty belonging to or participating in the managed care option within twenty-five miles of the claimant’s residence.*

As amended, insurers would have no incentive to try to establish or maintain a managed care system and would then, therefore, be able to take advantage of this exclusion. This defeats the original purpose of having a managed care option for

**DCCA Testimony of J.P. Schmidt**  
**S. B. No. 2770, S.D. 1**  
**February 25, 2008**  
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policyholders to choose and having the resulting savings being applied to their premium.

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



- Government Employees Insurance Company
- GEICO General Insurance Company
- GEICO Indemnity Company
- GEICO Casualty Company

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## TESTIMONY

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### SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND AFFORDABLE HOUSING

Senator Russell S. Kokubun  
Senator David Y. Ige, Vice Chair

Monday, February 25, 2008  
9:00 a.m.

### SB 2770

Chair Kokubun, Vice Chair Ige and members of the Committee, I am the General Manager for Hawaii's largest auto insurer. **GEICO opposes SB2770 as written.** Testimony submitted for a prior hearing contained the following inaccurate information: ".....there are NO MDs available to see patients on Maui for those consumers who have the GEICO managed care option." That is simply not true. There are some challenges finding enough medical providers on the neighbor islands to participate in a network but nothing close to what was described in the testimony. If there is a case where there is no MCO Physician within a reasonable geographic distance, GEICO and our networks have been willing to waive the requirement to treat within the network. GEICO would find the Bill acceptable if the proposed change required one physician or health care provider of the appropriate specialty belonging to the network to be located within reasonable proximity of the claimant's residence. However, any requirement to have multiple providers available would end GEICO's managed care program on all Neighbor Islands. If the requirement was as many as five providers, GEICO would probably discontinue it entirely.

GEICO has over 35,000 Hawaii policyholders who have voluntarily chosen the Managed Care Option as one way to make motor vehicle insurance more affordable. The vast majority of these customers like the option and the few that don't are free to change it at any time via either GEICO.com or with a single phone call. Enactment of SB2770 as written would effectively end the MCO option and the benefits it provides. It would also raise the cost of insurance for every one of these customers. GEICO respectfully asks that the measure be held or modified.

Thank you for the opportunity to testify.

A handwritten signature in black ink, appearing to read "Timothy M. Dayton", with a long horizontal flourish extending to the right.

Timothy M. Dayton, CPCU

**TESTIMONY OF ROBERT TOYOFUKU ON BEHALF OF THE CONSUMER  
LAWYERS OF HAWAII (CLH) IN SUPPORT OF S.B. NO. 2770, S.D. 1**

February 25, 2008

To: Chairman Russell S. Kokubun and Members of the Senate Committee on Commerce,  
Consumer Protection, and Affordable Housing:

My name is Bob Toyofuku and I am presenting this testimony on behalf of the Consumer  
Lawyers of Hawaii (CLH) in support of S.B. No. 2770, S.D. 1.

Current automobile insurance law provides that personal injury protection (PIP) benefits  
covering medical treatment may be offered on an optional managed care basis. Insurance  
companies are not required to make this option available but may do so if they can provide  
medical treatment through a managed care program.

Automobile insurance companies in Hawaii tend to offer options on a statewide basis,  
rather than tailoring options to available resources on each island. As a result, consumers on  
neighbor islands often find that they cannot receive timely and proper treatment because they  
have the managed care option, but the insurance company does not have any managed care  
providers available on the island. That results in the consumer seeking treatment from their  
regular physician or one available on the island, only to be told that those physicians are not  
members of the auto insurance managed care program and therefore cannot provide treatment.  
When the consumer asks which doctor on the island they should go to for treatment, they are told  
that there are no doctors on the island who participate in the insurer's managed care program.  
This catch-22 situation results in extensive delays in treatment or in some cases a total lack of  
treatment.

This measure amends the managed care option to correspond to the limitations of the  
managed care option, particularly as applied to neighbor island consumers. Patients injured in

automobile accidents must have prompt access to appropriate treatment for optimum rehabilitation and recovery. The current managed care option simply does not meet this minimum requirement.

Thank you for this opportunity to testify in support of S.B. No. 2770, S.D. 1.

**Testimony to the Commerce, Consumer Protection, And Affordable Housing  
Monday, February 25, 2008; 9:00 a.m.  
Conference Room 229, State Capitol, 415 South Beretania Street**

**RE: SENATE BILL NO. 2770, SD 1, RELATING TO MOTOR VEHICLE INSURANCE.**

Chair Senator Russell S. Kokubun, Vice-Chair Senator David Y. Ige, Vice Chair, and Members of the Committee:

**My name is Kristy Kobayashi and I strongly oppose Senate Bill No. 2270, SD 1.**

This measure, as received by your Committee proposes to change the optional coverage/benefits offered by insurers through managed care providers to where the managed care option would not apply to any claimant if there are fewer than five managed care, health maintenance organizations, or preferred provider physicians or health care providers of the appropriate specialty belonging to or participating in the managed care option located within twenty-five miles of the claimant's residence. I find that imposing this restriction unnecessary.

I am the branch manager of the company that provides a preferred provider network for auto and workers compensation insurances for over eight years. We do agree that the neighbor islands, especially Maui is limited in available health care providers that will see patients involved in motor vehicle accidents. We currently have on Maui over six traditional healthcare providers which include Kaiser, over twelve alternative medicine healthcare providers and ancillary providers. In view of this and to meet the individual needs under the current Managed Care Option exceptions have been and are made for geographic, specialty and other reasons for patients to treat outside of the Managed Care provider network.

We actively recruit health care providers locally and nationally. We are committed to meeting the needs of patients and our customers. We have and continue to work with patients to assist them in obtaining the treatment they need whether in-network or out of network .

The inherent problem that needs to be resolved on all islands and especially the neighbor islands is the shortage of health care providers and the difficulties the health care providers who are practicing to continue to do so and accept new patients. Also, compounding the problem are when people who do not have any health insurance and/or have not had history treating with primary care providers are unable to get treatment.. If there were more health care providers, then there would be more competition and incentives for health care providers to treat patients new or existing whether they were involved in motor vehicle accident, work accident or worse having no health insurance.

Thank you for the opportunity to testify in strong opposition to SB 2770, HD1.

Kristy Kobayashi, M.Ed., CRC  
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