



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 HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Monday, March 10, 2008
2:00 p.m.

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

TO THE HONORABLE ROBERT N. HERKES, 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 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

00026

DCCA Testimony of J.P. Schmidt
S. B. No. 2770, S.D. 1
March 10, 2008
Page 2

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

TIMOTHY M. DAYTON, CPCU, GENERAL MANAGER
711 Kapiolani Blvd., Suite 300 ■ Honolulu, HI 96813-5238 ■ Email: tdayton@geico.com
Direct: (808) 593-1875 ■ FAX (808) 593-1876 ■ Cell: (808) 341-9252

TESTIMONY

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Robert N. Herkes, Chair
Representative Angus L. K. McKelvey, Vice Chair

Monday, March 10, 2008
2:00 p.m.

SB 2770

Chair Herkes, Vice Chair McKelvey and members of the Committee, I am the General Manager for Hawaii's largest auto insurer. Currently GEICO has over 35,000 policies in the Managed Care Program. **GEICO opposes SB2770 as written.** Testimony submitted for a Senate 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 accurate. 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 remains five providers, GEICO will discontinue MCO entirely.

GEICO has many 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 submit my testimony. I am currently on the Mainland and have to apologize for not being there in person to answer any questions the Committee may have for me.

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 13, 2008

To: Chairman Robert N. Herkes and Members of the House Committee on Consumer Protection & Commerce:

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 unnecessary delays in treatment while alternative arrangements must be made.

The largest auto insurer in Hawaii, GEICO, uses Corvel Corporation for its managed care program. Attached is a letter from Corvel medical case manager Maxine Millard of the Hilo

office which confirmed that there was no medical doctor available on Maui as of this past December.

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.

M

CORVEL

Facsimile Transmittal

CorVel Corporation
www.corvel.com

711 Kapiolani Blvd #150
Honolulu, HI 96813

1-808-563-1430
1-888-383-3803 toll free

Date: December 5, 2007

To: **M**

Fax Number:

From: **M** Maxine Millard 1-808-966-5887 ph (Big Island)
Medical Case Manager 1-877-959-5707 toll free (outer islands)
1-808-593-1444 fax

Copy To:

Pages Including Cover: 3

Regarding: **M** Patient:
MVA:

Lynn Inamine at GEICO emailed me asking me to send you a copy of the provider listing. Since Dr. Sine retired, we do not have any other MDs in the network. If claimant has Kaiser insurance, we could send him to Kaiser. If not, I already informed Lynn that they will need to make an out of network exception if you're looking for an MD.

Privileged and Confidential:
All information transmitted hereby is intended only for the use of the addressee(s) named above. If the reader of this message is not the intended recipient or the employee or agent responsible for delivering the message to the intended recipient(s), please note that any distribution or copying of this communication is strictly prohibited. Anyone who receives this communication in error should notify us immediately by telephone and destroy all copies of this communication and any attachment(s).

March 7, 2008

Representative Robert N. Herkes, Chair

Representative Angus L. K. McKelvey, Vice Chair

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

Monday, March 10, 2008, 2:00 p.m.

Dear Chair Herkes/Vice Chair McKelvey:

Regarding: SB 2770 – Relating to Motor Vehicle Insurance

Thank you for the opportunity to submit testimony in support of Senate Bill 2770. The original intent of this change in the law was to assist in reducing the cost of automobile insurance to consumers. While the intent is laudable, in reality this change, at least on the island of Maui, has made it more difficult for consumers to obtain medical care.

I currently represent, at least, six clients who were injured in motor vehicle accidents and have a managed care option for payment of their Personal Injury Protection (“PIP”) medical expenses. It has been difficult for some of these clients to obtain medical care through this managed care network.

Recently, there was only one physician on the island of Maui who was approved to see patients through the managed care network for GEICO insurance. If that was not difficult enough, since that one physician retired, there were NO MDs available to see patients in Maui for those consumers who have the GEICO managed care option. This is something the law never contemplated or intended and must be corrected. Therefore, I believe SB 2770 addresses this serious health care problem and I would urge approval of this measure so that additional consumers are not denied the appropriate health care they require.

00033

Respectfully submitted,

ANTHONY P. TAKITANI
24 North Church Street, Suite 409
Wailuku, HI. 96793
(808) 242-4049

**Testimony to the Committee on Consumer Protection and Commerce
Monday, March 10, 2008; 2:00 p.m.
Conference Room 325, State Capitol, 415 South Beretania Street**

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

Rep. Robert N. Herkes, Chair; Rep. Angus L.K. McKelvey, 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
1835 Sereno Street
Honolulu, HI 9681
(808) 593-1430 x310

00035



Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877
Facsimile (808) 525-5879

Alison Powers
Executive Director

TESTIMONY OF ALISON POWERS

HOUSE COMMITTEE ON CONSUMER PROTECTION
Representative Robert N. Herkes, Chair
Representative Angus L.K. McKelvey, Vice Chair

Monday, March 10, 2008
2:00 p.m.

SB 2770, SD1

Chair Herkes, Vice Chair McKelvey and members of the committee, my name is Alison Powers, Executive Director of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** SB 2770, SD1, which exempts the claimant from being required to use a managed care entity, if there are fewer than 5 managed care providers or equivalent entities within 25 miles of the claimant's residence.

The legislature proposed the option of managed care in the late 1990's to provide consumers an opportunity to reduce premiums in exchange for agreeing to receive care through insurer-selected provider networks. While not all of our members offer this option, we all agree that this legislation could cause some carriers who do offer it to stop in certain geographic areas and provide a disincentive for other carriers to offer it. This will have the effect of reducing competition on this coverage and limiting choice for the consumer, which would result in higher premiums for those who currently purchase this option.

We respectfully request that SB 2770, SD1 be held.

Thank you for this opportunity to testify.