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March 12, 2008

To: Rep. Josh Green, M.D., Chair
Rep. John Mizuno, Vice Chair
House Health Committee

From: Cynthia J. Goto, M.D., President
Linda Rasmussen, M.D., Legislative Co-Chair
Philip Hellreich, M.D., Legislative Co-Chair
Paula Arcena, Executive Director
Dick Botti, Government Affairs Liaison

Re: SB2864, SD2 Relating to Insurance

While we appreciate the intent of this measure to identify issues that affect our current medical access to care crisis, the basic fact is that physicians and healthcare institutions are not allowed to establish their charges based on the cost of providing goods and services.

Our healthcare system is not predicated on a free enterprise system. Rather, healthcare providers are paid based on contractual agreements with health plans insurers. These agreements require the service provider accept a fixed payment. The only allowable payment above and beyond the fixed service fee is the contractually set co-pay from the patient. When the cost of providing goods and services exceed the fixed fee, the provider takes a loss.

The solution the problem is to have these conditions removed from health plan insurer contracts. This will allow medical service providers to charge and collect sufficient fees and sustain their financial viability.

This is called the Free Enterprise. If the consumer decides to shop around for a better price and get it elsewhere, then this is called competition. This is all but non-existent in Hawaii. Service providers who do not contract with HMSA, Hawaii's dominant insurer, are at a disadvantage.

Hawaii offers physicians fixed and low fees and uncontrolled malpractice insurance premiums. The logical course of action is to leave Hawaii and go where the business climate is more friendly.

Thank you for the opportunity to provide this testimony.

PLEASE DELIVER to:

Health Committee

Wed.
3/12/08
8:00am
Room 329

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