

SB3016

Measure Title:
RELATING TO MUTUAL BENEFIT SOCIETIES.

Report Title:
Mutual Benefit Societies

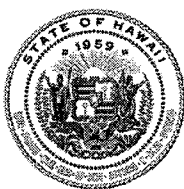
Description:
Maintains competition and consumer choice by deleting requirements that pose obstacles to smaller health plans. Deletes requirement that health plans must maintain a fund equal to "one half of twenty times the maximum benefits paid in 30 days" and caps the deposit requirement at \$20 million.

Package:
Governor

Companion:
HB3094

Introducer(s):
HANABUSA (BR)

Current Referral:
HTH, CPH



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TO THE SENATE COMMITTEE ON HEALTH

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, February 13, 2008
1:25 p.m.

TESTIMONY ON SENATE BILL NO. 3016 – RELATING TO MUTUAL BENEFIT SOCIETIES.

TO THE HONORABLE DAVID IGE, 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”). Thank you for scheduling a hearing on this bill. The Department strongly supports this Administration bill.

The purpose of this bill is to cap the deposit required to operate a mutual benefit society at not more than \$20,000,000 and to delete the benefit fund requirement set forth in HRS § 432:1-401.

The Department supports this bill because small mutual benefit societies are having difficulty complying with the “one-half of twenty times the maximum benefit payable in thirty days” deposit requirement under current law.

This bill amends the maximum benefit fund provision by redefining the deposit to be a percentage of minimum net worth. This bill also sets minimum/maximum requirements and caps the deposit at a reasonable amount.

Deposits by mutual benefit societies protect the public in the event of insolvency; however, tying up unnecessarily large sums in deposits deprives the insurer of funds that could be used to defer premium increases. Making the deposit requirement relative

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to the size of the mutual benefit society is fairer and removes a barrier to entry for new mutual benefit societies, thus allowing for a more competitive market.

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

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 13, 2008

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

Senate Committee on Health

Re: SB 3016 – Relating to Mutual Benefit Societies

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 3016 which would delete the requirement that health plans must maintain a fund equal to “one half of twenty times the maximum benefits paid in 30 days” and caps the deposit requirement at \$20 million.

HMSA supports the changes in this measure. We believe that SB 3016 could have a positive impact for all health plans in the State.

Thank you for the opportunity to testify today.

Sincerely,

Jennifer Diesman
Director, Government Relations