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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2010

Friday, January 29, 2010  
9:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 2089 – RELATING TO HEALTH INSURANCE.**

TO THE HONORABLE RYAN I. YAMANE, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is J.P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this bill, which requires increased reporting by health insurers of their expenditures but wish to raise some concerns.

Having more information about health insurers is always helpful. This bill is to some extent redundant as to information reporting that is already required on financial statements filed with the Insurance Division but it does provide some additional insights. However, we wish to point out that mere information reporting without a corresponding statutory power to regulate the expenses reported may not accomplish very much as a practical matter. We also note that the reporting required in this bill may require technical adjustments to be completely effective. If the Committee wishes to receive such technical comments, they can be provided.

If this bill is to move forward an amendment to existing law should be inserted. Hawaii Revised Statutes section 432:1-305(c) allows a mutual benefit society that is

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providing health insurance to have administrative costs of up to 35 percent, which conflicts with the lower limits in the bill.

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

**Friday, January 29, 2010, 9:30a.m., Conference Room 329**

**To:** House Committee on Health  
Rep. Ryan I. Yamane, Chair  
Rep. Scott Y. Nishimoto, Vice Chair

**From:** Hawaii Medical Association  
Gary A. Okamoto, MD, Legislative Co-Chair  
Linda Rasmussen, MD, Legislative Co-Chair  
April Donahue, Executive Director  
Lauren Zirbel, Government Affairs  
Dick Botti, Government Affairs

**Re:** HB2089 RELATING TO HEALTH INSURANCE

In Support

**Chairs & Committee Members:**

Hawaii Medical Association strongly supports HB2089 Relating to Health Insurance. This measure would increase transparency and create more standardized reporting of how insurance premiums are allocated to health care services as opposed to other purposes. As a result, the legislation could encourage the health insurance system to be more efficient and more accountable to patients, employers and providers.

Enacting premium transparency would clearly show the amount of money that health insurers spend on patient care versus administrative expenses and profit. A medical loss ratio further encourages insurers to spend more on direct medical benefits and a regulated amount on a detailed list of administrative costs. This could lead to more money from premiums being spent on medical care, and more value to the consumer and employer.

It is critical that employers and consumers have access to a clear understanding of how insurers allocate health care premiums. Currently, there is a lack of detailed, consistent, publicly available information that shows exactly how consumer premium dollars are spent specifically on health care services. The growth of the consumer-directed health care market has significantly contributed toward the importance of premium transparency. Cost and payment data should be available and easily accessible to patients and employers to enable them to make informed, objective decisions about their health care.

Full transparency of how health insurance premiums are spent will eventually reward insurers that minimize administrative waste. Mandated premium transparency is also essential in order to maximize the value of the health care dollar. This is an important step toward controlling spiraling health care costs, which are due, in part, to the dramatic rise in premium rates and administrative costs. This bill will enumerate specific administrative costs in a clear and standardized fashion. This data will become public record.

The rapidly rising cost of health care and health care administration is crippling businesses, forcing layoffs and reductions in pay. It is important that businesses and healthcare consumers have access to all information that will help them decide how to spend their health dollars.

Thank you for your consideration and the opportunity to testify.

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