



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
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: 586-2850  
Fax Number: 586-2856  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2013

Monday, February 25, 2013  
2:30 p.m.

**TESTIMONY ON HOUSE BILL NO. 842, H.D. 1 – RELATING TO DENTAL SERVICE CORPORATIONS.**

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). Thank you for hearing this bill. The Department strongly supports this Administration bill.

The purpose of this bill is to establish the licensing and regulation of dental service corporations under the Commissioner.

Under the federal Patient Protection and Affordable Care Act, starting in 2014, individual and small employer group health plans may include a pediatric dental component. Also, stand alone dental plans can be sold through the health insurance exchange known as the Hawaii Health Connector (“Connector”). In order for a dental insurer to sell on a stand alone dental plan on the Connector, it has to be licensed.

This bill would create a licensing requirement for dental insurers to enable it to sell on the Connector. It also places dental insurers under insurance regulation and

**House Bill No. 842, H.D. 1**  
**DCCA Testimony of Gordon Ito**  
**Page 2**

establishes financial solvency oversight. This will increase public confidence in the process while also protecting the public from detrimental effects such as insolvencies.

The Department requests that the following changes be made to House Bill 842, H.D. 1, consistent with those made to the companion Senate bill, Senate Bill 1073, S.D. 1: (1) amend the title of the new chapter to “Dental Insurers”, to avoid a conflict the chapter 423, “Dental Service Corporations”, and make conforming substitutions for the term “dental service corporation” with the term “dental insurer”, except for use of the term “dental service corporation” in proposed section -2(b) on page 5, lines 19 to 22 and page 6, line 1; (2) amend language on page 38, lines 18 to 19 in proposed section -19, entitled “Coordination of benefits”, to require dental insurers to adopt provisions for the coordination of benefits; and (3) remove language that would repeal chapters 423 and 448D, Hawaii Revised Statutes.

The Department estimates the fiscal impact will be less than \$3,000 per year in additional revenue.

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

Hawaii State Legislature  
State House of Representatives  
Committee on Consumer Protection and Commerce

State Representative Angus L. K. McKelvey, Chair  
State Representative Derek S. K. Kawakami, Vice Chair  
Committee on Consumer Protection and Commerce

Friday, February 1, 2013, 8:30 a.m. Room 325  
House Bill 842 HD 1 Relating to Dental Service Corporations

Honorable Chair Angus L. K. McKelvey, Vice Chair Derek S. K. Kawakami and  
members of the House Committee on Consumer Protection and Commerce,

My name is Russel Yamashita and I am the legislative representative for the Hawaii Dental Association (HDA) and its 960 member dentists. I appreciate the opportunity to testify in opposition of House Bill 842, HD 1 Relating to Dental Service Corporations. The bill before you today would repeal the current statutory authority which establishes the criteria and corporate structure of the currently established dental service corporation. The “purpose” of this legislation is allegedly to provide an “insurance” frame work for dental service corporations in order to be in compliance the Affordable Care Act(ACA).

This legislation goes over board in its revision of the Dental Service Corporation law. In reviewing this bill, the alleged “purpose” is achieved with a substantial number of radical changes to the ownership, governance and licensing laws of Hawaii.

The first and primary objection is the change in the definition of “Provider” in the current law and expands the definition to permit any person “otherwise authorized to furnish dental care services”. This is a back door way to allow persons not licensed under Hawaii law (HRS Chapter 448) to provide dental services to Hawaii residents. This also creates a question of jurisdiction as to whether or not the Department of Commerce and Consumer Affairs can even regulate or discipline unlicensed dentists or hygienists for violations of standards of dental care, if they are not properly licensed under HRS Chapter 448.

Second, the "coordination of benefits" in Section -19 of the bill must be mandatory in order for the financial benefits and savings to be realized by the consumer. By allowing "coordination of benefits" to be permissive or optional, the insurers will not pass on the savings to the purchasers of the policies. In other words, you are allowing the insurers to add further financial burdens on the consumer with the pyramiding of costs that the insurers will pass on. If "coordination of benefits" is not mandated, the consumer will not receive any cost savings from the ACA.

In lieu of these changes, the HDA will be in opposition to this legislation as it now written and would request that the bill be held if the proposed amendments are not substituted for the current language.