



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

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON WAYS AND MEANS

TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2013

Thursday, April 4, 2013  
9:50 a.m.

**WRITTEN TESTIMONY ONLY**

**TESTIMONY ON SENATE CONCURRENT RESOLUTION NO. 129, S.D. 1 AND  
SENATE RESOLUTION NO. 91, S.D. 1 – REQUESTING THE INSURANCE  
COMMISSIONER TO CREATE A WORKING GROUP TO STUDY INSURANCE  
RECOUPMENT.**

TO THE HONORABLE DAVID Y. IGE, CHAIR, AND MEMBERS OF THE COMMITTEE:

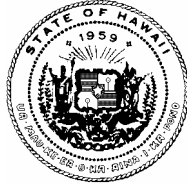
My name is Gordon Ito, State Insurance Commissioner (“Commissioner”), testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department would like to submit comments on these measures.

The purpose of these measures is to form a working group, which would be chaired by the Commissioner, to study insurance recoupment relative to health insurance plans, but not Medicaid reimbursements. Also we note that medical expenses covered by motor vehicle insurance and workers compensation insurance are not the subject of this Working Group.

The Department is willing to participate in the Working Group, but we suggest that the group be chaired by an agency with greater familiarity with reimbursement and recoupment issues arising from billing for medical services. The Department lacks the expertise that would be required to facilitate discussions relating to this issue.

We thank this Committee for the opportunity to present testimony on this matter.

NEIL ABERCROMBIE  
GOVERNOR



**LATE**

PATRICIA MCMANAMAN  
DIRECTOR

BARBARA A. YAMASHITA  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
Honolulu, Hawaii 96809-0339

April 4, 2013

TO: The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **S.C.R. 129, S.D. 1/S.R. 91, S.D. 1 – REQUESTING THE INSURANCE  
COMMISSIONER TO CREATE A WORKING GROUP TO STUDY  
INSURANCE RECOUPMENT.**

Hearing: Thursday, April 4, 2013; 9:50 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of this resolution is to create a working group to study insurance recoupment.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) would like to provide the following comments on S.C.R. 129, S.D. 1/S.R. 91, S.D. 1. This resolution is one of 14 bills and resolutions being considered by the Legislature that requires the Med-QUEST Division (MQD) of the Department of Human Services to conduct a study or participate in a working group, task force or other groups on various subjects not only Medicaid. Participating in all of the required studies and groups will necessitate that MQD resources be redirected from implementing the new Medicaid eligibility criteria and methodology requirements under the Affordable Care Act by January 1, 2014, from completing the section 1115 demonstration waiver renewal, from procuring QUEST Integration and its focus on improving transition of care for vulnerable individuals, from

AN EQUAL OPPORTUNITY AGENCY

transforming behavioral health services delivery, and from the ability to support other healthcare transformation activities, including the planned activities lead by the Health Care Transformation Coordinator.

Thank you for the opportunity to testify on this measure.

COMMITTEE ON WAYS AND MEANS  
SENATOR DAVID IGE, CHAIR  
SENATOR MICHELLE N KIDANI, VICE CHAIR

Jeffrey D. Stern, Ph.D.  
Licensed Clinical Psychologist  
1833 Kalakaua Ave. Suite 908  
Honolulu, HI 96815

Tuesday, April 3rd, 2013

Requesting the Insurance Commissioner to Create a Working Group to Study Insurance  
Recoupment

Honorable Chair Ige, Vice Chair Kidani, and members of the committee, my name is Dr. Jeffrey Stern and I am a psychologist who in the private sector in Honolulu. In regards to SCR 129 SD1/SR 91 SD1, I would like to provide the following comments.

"Recoupments" are funds that health plans have paid to providers but later seek reimbursement for, after the plan determines, for whatever reason, that it paid out in error. There's no precise information about how often insurance companies are demanding recoupment or for how much, but it is happening more often, and to the full range of health care providers. Across the country as the recoupment demands are increasing, professionals are choosing to close their practices rather than deal with recoupment and the administrative headaches it creates. I HAVE PERSONALLY CHOSEN TO STOP PROVIDING SERVICES FOR ONE INSURANCE COMPANY OUT OF DISGUST FOLLOWING A RECOUPMENT CASE WITH THAT COMPANY.

In Hawaii, it is widely recognized that we have a shortage of health practitioners in many fields. And while practitioners generally have one year to adjust their billing to insurance companies; the insurance companies have no similar restriction preventing them from reaching far back into history to recoup funds they previously paid to health care providers for their services. This is an ongoing, open-ended liability for health care professionals and undermines the ability to build upon and plan a viable and economically feasible practice. In addition, anecdotal evidence suggests that there are situations where providers, contesting recoupment, are not provided with due process, as afforded in the insurance companies own policy documents.

Thus far, more than half of the country has legislation limiting the time that an entity can take money back for the services that have already been provided. According to a recent data search, the following states have statute of limitations for medical recoupment: Alabama, Arkansas; Arizona; California; Colorado; Connecticut; District of Columbia; Florida; Georgia; Illinois; Indiana; Iowa; Kentucky; Maine; Maryland; Massachusetts; Missouri; Montana; New Hampshire; New Jersey; New York; North Carolina; Ohio; Oklahoma; South Carolina; Texas; Utah; Vermont; Virginia; Washington; and West Virginia ranging from 6-months to 30-months, with the average range of time allowed for take-backs being somewhere between 12 and 24 months. I urge you to pass this resolution and send a message of support for providers to insurance companies engaging in this practice.

Thank you for the opportunity to share my mana'o.

Jeffrey D. Stern, Ph.D.

**Senator David Y. Ige, Chair**  
**Senator Michelle N. Kidani, Vice Chair**  
**Committee on Ways and Means**

April 2, 2013

**Thursday, April 4, 2013, 9:50 a.m., Room 211**

**TESTIMONY IN SUPPORT OF SCR 129 / SR 91**

Requesting the Insurance Commissioner to Create a Working Group to Study Insurance Recoupment

Honorable Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria and members of the committee, my name is Dr. Martin Johnson. I am a Clinical Psychologist and I offer my testimony today as both a licensed health care provider and a small business owner. I am the owner and Director of a small psychotherapy center located in downtown Honolulu. I would like to provide **testimony in support of SCR 129 / SR 91.**

Healthcare is a significant factor in Hawaii's economy, following closely behind tourism and defense. Imagine for a moment, a hotel or defense contractor working under the rules of recoupment. The customer can decide, years after the business transaction that they have decided they are unsatisfied with the work performed or that in hindsight, the work was unnecessary. The customer controls the appeal process completely and can reclaim funds basically at will. Now imagine that this customer also controls large portions of market share, so that avoiding doing business with the customer is impractical if not impossible. As you might imagine, working in such a risky and uncertain business environment would inhibit investment, growth and perhaps drive some providers out of the market.

This is the current situation for healthcare providers in the state of Hawaii, whether they are large hospitals, small clinics, or individual practitioners. Approximately half of the other states have established reasonable limits and fair process rules for recoupment. Now when Hawaii is experiencing shortages in most categories of healthcare providers, it is time to take a serious look at this problematic issue.

Thank you for your consideration of my testimony in support of SCR 129 / SR 91.

Respectfully submitted,

L. Martin Johnson, PsyD, MBA  
Clinical Psychologist  
Director, Hawaii Center for Psychology

Senator Rosalyn H. Baker, Chair  
Senator Brickwood Galuteria, Vice Chair  
March 25, 2013  
Page 2

**Senator David Y. Ige, Chair**  
**Senator Michelle N. Kidani, Vice Chair**  
**Committee on Ways and Means**

April 2, 2013

**Thursday, April 4, 2013, 9:50 a.m., Room 211**

**TESTIMONY IN SUPPORT OF SCR 129 / SR 91**

Requesting the Insurance Commissioner to Create a Working Group to Study Insurance Recoupment

Honorable Chair Rosalyn H. Baker, Vice Chair Brickwood Galuteria and members of the committee, my name is Dr. Martin Johnson. I am a Clinical Psychologist and I offer my testimony today as both a licensed health care provider and a small business owner. I am the owner and Director of a small psychotherapy center located in downtown Honolulu. I would like to provide **testimony in support of SCR 129 / SR 91.**

Healthcare is a significant factor in Hawaii's economy, following closely behind tourism and defense. Imagine for a moment, a hotel or defense contractor working under the rules of recoupment. The customer can decide, years after the business transaction that they have decided they are unsatisfied with the work performed or that in hindsight, the work was unnecessary. The customer controls the appeal process completely and can reclaim funds basically at will. Now imagine that this customer also controls large portions of market share, so that avoiding doing business with the customer is impractical if not impossible. As you might imagine, working in such a risky and uncertain business environment would inhibit investment, growth and perhaps drive some providers out of the market.

This is the current situation for healthcare providers in the state of Hawaii, whether they are large hospitals, small clinics, or individual practitioners. Approximately half of the other states have established reasonable limits and fair process rules for recoupment. Now when Hawaii is experiencing shortages in most categories of healthcare providers, it is time to take a serious look at this problematic issue.

Thank you for your consideration of my testimony in support of SCR 129 / SR 91.

Respectfully submitted,

L. Martin Johnson, PsyD, MBA  
Clinical Psychologist  
Director, Hawaii Center for Psychology

Senator Rosalyn H. Baker, Chair  
Senator Brickwood Galuteria, Vice Chair  
March 25, 2013  
Page 2