

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 1277

February 6, 2015

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
ASSISTING NOT-FOR-PROFIT CORPORATIONS THAT PROVIDE HEALTH CARE
FACILITIES TO THE GENERAL PUBLIC

Senate Bill No. 1277 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist various Paradise Ohana entities for the development of health care facilities in West Oahu.

The Department would like to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing. In addition, please note that the SPRB authorizations reflected in Sections 4 and 16 of the Bill appear to be for the same entity.

Thank you for the opportunity to provide testimony on this measure.



Property Casualty Insurers
Association of America

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To: The Honorable Josh Green, Chair
The Honorable Glenn Wakai, Vice Chair
Senate Committee on Health

From: Mark Sektnan, Vice President

Re: **SB 1277 – Relating to the Issuance of Special Purpose Revenue Bonds for Assisting Not-for-Profit Corporations that Provide Health Care Facilities to the General Public**
PCI Position: OPPOSE

Date: Friday, February 6, 2015
2:30 pm, Conference Room 414

Aloha Chair Green, Vice Chair Wakai and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is opposed to SB 1277, which is unnecessary and unfair, and would result in significant administrative delays. PCI is a national trade association that represents over 1,000 property and casualty insurance companies. In Hawaii, PCI member companies write approximately 42.2 percent of all property casualty insurance written in Hawaii. PCI member companies write 43.2 percent of all personal automobile insurance, 65.2 percent of all commercial automobile insurance and 75 percent of the workers' compensation insurance in Hawaii.

SB 1277 would replace the existing employer requested examinations in workers compensation claims with a new, complicated system for obtaining "independent medical examinations". Instead of the existing system that allows an employer to obtain an examination of a claimant to evaluate the merits of a claim, SB 1277 would require first that the employer and employee reach a mutual agreement on the physician who conducts the examination.

The term "independent medical examination" is typically used to describe the examinations contemplated by Hawaii Revised Statutes § 386-79, but its use in this bill ignores the important function of the employer requested examination and strips out the employer's right to discovery of facts in workers compensation proceedings. This is neither fair nor prudent.

The employer requested examination is intended to establish a procedure for the employer to access his right to discovery of a claimant's physical condition and course of treatment. The effect of this bill is to do away with the employer's right altogether at the option of the injured employee.

Under the existing law there are many protections for the employee built in. The employer is limited to only one employer requested examination unless good and valid reasons exist with regard to the progress of the employee's treatment. Therefore the employer has an incentive to obtain a credible examination - on the first try - that will withstand scrutiny on appeal before the DLIR's Disability Compensation Division. Also the report of the employer requested examination must be given to the employee, who has a right to challenge the report and to offer evidence that disputes the report's findings, so there is a check against employer abuse.

Finally, the selection process set forth in SB 1277 would be stalled by built-in delays. The employer would have to first try to reach a mutual agreement. If the parties are unable to reach an agreement, the bill requires the employer and employee to develop a list of five physicians and then cross off names much as a jury is selected. This could be a very cumbersome and time consuming process. Once a physician is appointed to take the case, the examination is supposed to take place within 45 days. No doubt, that is an optimistic estimate as currently delays in finding willing and able physicians are already widespread. This means that examinations would be additionally burdened by these new administrative delays.

PCI respectfully requests that the Committee vote to hold SB 1277 for the remainder of the session.