

SB1137

Measure Title: RELATING TO MUTUAL BENEFIT SOCIETIES.

Report Title: Mutual Benefit Societies; Members; Special Meetings

Description: Requires a mutual benefit society to allow a special meeting to be called upon the written request of not less than one thousand of its members.

Companion:

Package: None

Current Referral: CPH

Introducer(s): IHARA, K. KAHELE, KEITH-AGARAN, Baker, S. Chang, English, Espero, Galuteria, Inouye, Kim, Ruderman, L. Thielen, Tokuda, Wakai



An Independent Licensee of the Blue Cross and Blue Shield Association

February 27, 2017

The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair
Senate Committee on Consumer Protection and Health

Re: SB 1137 – Relating to Mutual Benefit Societies

Dear Chair Baker, Vice Chair Nishihara, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1137, which requires a mutual benefit society (MBS) to allow a special meeting upon the request of a minimum of 1000 members. HMSA opposes this Bill, and we offer comments.

As an MBS, HMSA is governed by established by-laws, and our Board conducts annual meetings of our full membership. A special meeting of an MBS only should be called when there are a reasonable number of members interested in convening that meeting. Under this Bill, 1000 members of an MBS may call for a special meeting. For HMSA, that threshold is less than one percent (0.0014) of our 700,000 members.

This bill would eliminate an MBS's ability to set a reasonable level of interest and agreement necessary to call for a special meeting of its full membership. It proposes a contraction of an MBS's ability to govern itself and set its own internal rules.

Thank you for the opportunity to testify on this measure. Your consideration of our concern is appreciated.

Sincerely,

Jennifer Diesman
Vice President, Government Relations



February 27, 2017
9:30 a.m., Room 229

To: **Senate Committee on Commerce, Consumer Protection and Health**
The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair

From: Beth Giesting, Hawai'i Association of Health Plans

Re: Opposition to SB 1137, RELATING TO MUTUAL BENEFIT SOCIETIES

The Hawai'i Association of Health Plans respectfully opposes Senate Bill 1137, which would impose special meeting requirements on mutual benefit societies outside of their own bylaws and constitutions.

This measure would add an unusual and unnecessary requirement to private organizations that are already highly regulated. Moreover, since mutual benefit societies operate in a competitive environment, members may choose other carriers or make their preferences known in other ways.

Thank you for the opportunity to share our views on this bill.

RE: SB 1137

Testimony (in support of) :

Dear Sirs & Madam:

HMSA has for decades been classified, and prominently and proudly proclaims, that they are a “Mutual Benefit Association”, but HMSA has in effect NOT been available to its members’ input in any meaningful way. They have in effect been a top-down organization NOT responsive to the desires or wishes of its members. In fact, they are not even open to hearing such concerns in any organized way.

This bill to require a general meeting on any issue of importance to the membership based on signatures of 1000 people, as opposed to the presently impossible to obtain 17,000 – 18,000 signatures.

It is long past time that HMSA acted in accordance to with the spirit and intent of their mission, “mutually benefitting” all its members, not just an elite disassociated few.

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SB1137
CPH
Monday February 27, 2017
9:30 a.m.
Room 229

COMMITTEE ON COMMERCE,
CONSUMER PROTECTION AND HEALTH

Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair

February 24, 2017

Re: SB1137 Relating to Mutual Benefit Societies

In Support

Dear Sen. Baker, Sen. Nishihara and members of the Committee:

This bill directly addresses an issue with mutual benefit societies that could result in a very necessary reform—and one that **could help resolve some problems that do not otherwise lend themselves to a legislative fix.**

It attempts to ensure that if an organization formed as a mutual benefit society will remain responsive and under the control of its members by defining the maximum number of members needed to call special meetings.

This is a short bill that will have great impact and is intended to benefit all citizens of Hawaii despite its brevity.

The organization most affected by the proposed change is HMSA. Currently, according to its bylaws, it would take more than 17,000 (estimated) members to call a special meeting, which is an impossibility. Thus, HMSA is, at present, a mutual benefit society **only in a technical sense, because members do not in fact have any control over their own organization.** The bill would set a ceiling at 1,000 members needed to call a meeting.

The section of bylaws affected is this:

VIII Membership Meetings 2. Special Meetings. Special meetings of the members of the Association shall be held at any time upon the call of the Chairperson, upon the written request of a majority of the Directors, or upon the written request of not less than three percent (3%) of the members.

What is difficult to legislate should be easier to work on internally. Among the problems that members themselves can work to resolve would be the issues of **physician shortages** in several specialties, particularly on the Neighbor Islands. Another would be the **restriction on imaging** approvals that has recently been in the news. **Restrictive formularies** that deny coverage for essential drugs could be revised. **All of this without the need for legislative intervention.**

Members of a mutual benefit society have an interest in the success and viability of the organization, so the best and most appropriate outcomes are likely. Resolving issues would not be an adversarial process, as it may often appear at present. Who can say that members do not have their own interests in mind as a priority?

Since HMSA has a near-monopoly, any changes in reimbursement will benefit anyone insured in the state. If fewer doctors choose to retire or to set up practice in other states after graduation from medical school, everyone benefits.

The issues that this bill could potentially resolve have been elusive for many years. The physician shortage has been in the news as a crisis at least since 2005:

The screenshot shows a newspaper page from Honolulu Advertiser.com dated May 10, 2005. The main headline is "Hawai'i losing its doctors" with a sub-headline "Rising malpractice costs forcing many to close practices". To the right, there is a section titled "ISLAND VOICES" with a sub-headline "Crisis point: Don't get hurt on Big Island" by Barry Blum, M.D. A portrait of Barry Blum is shown next to his name. The article text begins: "I moved from California to the Big Island of Hawai'i in 1986 at the age of 45. With no other orthopedic surgeon on the staff of Kona Hospital, I accepted the responsibility of being on call to the emergency room every night and day. Whenever I was on the island of Hawai'i, day or night, I agreed to stop whatever I was doing — sleeping, eating, playing, praying — and come to the hospital when called."

Restrictions of imaging requests are not new—news articles have clearly described the risk of delays or denials:

Friday, October 16, 1998

HMSA denials nearly cost Paaulo man his life

'It was a clinical judgment based on the best information we had available to us,' says HMSA

By Helen Altom
Star-Bulletin

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The first advertisement is for "Star Advert" and says "SOME PETS ALLOWED?". The second advertisement is titled "NOT WHAT THE DOCTOR ORDERED" and features a photo of a person lying in a hospital bed. The text below the photo reads: "HMSA's new preauthorization rule for imaging causes Hawaiian physicians who say it puts their patients at risk."

These issues and more can be worked on by members themselves.

I urge the Committee to pass this bill.

--Larry Geller

[a copy of HMSA's constitution and bylaws has been provided separately to the Committee]

February 24, 2017

To: The Honorable Senator Rosalyn H. Baker, Chair &
The Honorable Senator Clarence K. Nishihara, Vice Chair &
The Committee on Commerce, Consumer Protection and Health

Re: Testimony in Support of SB 1137

Dear Sirs and Ma'ams:

As a lifelong HMSA member I am writing in support of SB 1137 to enable us members to regain controls of the organization. For too long the executives running this group have profited off of our sick and weak. The amount of money that they pay themselves as rewards for paying our Doctors less causing some Doctors to stop taking HMSA or not practice medicine is not pono.

With our state facing a Doctor shortage as our population median age raises by the year we are at the tipping point in our state and we need to take back control of the insurance providers. Our citizens should have a say in our healthcare and a few people shouldn't be able to line their pockets with our dues.

I humbly ask your committee to approve SB 1137 and hope that it becomes law.

Sincerely,



Jared Watumull

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 11:16 AM
To: CPH Testimony
Cc: pchowdhurymdllc@gmail.com
Subject: Submitted testimony for SB1137 on Feb 27, 2017 09:30AM

SB1137

Submitted on: 2/26/2017

Testimony for CPH on Feb 27, 2017 09:30AM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Pradeepta Chowdhury	Pradeepta Chowdhury MD LLC	Support	No

Comments: HMSA touts "pay-for-quality" as one the reasons for their recent payment model. However, "quality" is hard to measure with the kind of "measurements" they have in place. Meanwhile they are forcing us (physicians) to cut corners, reduce staffing, move out of state or simply quit practicing! They have already forced us to spend more time on administrative chores (such as "playing" the numbers game in order to get more reimbursement), reporting unnecessary items etc. etc. I think reducing the minimum number of members required to ask for a special hearing to a more reasonable number would certainly increase member participation. HMSA has a monopoly in this state and behaves in a high handed manner.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair
Committee on Commerce, Consumer Protection and Health

Senate of the State of Hawai'i

Lance D. Collins, Ph.D
Law Office of Lance D. Collins

Monday, February 27, 2017

Support for Senate Bill No. 1137, Relating to Mutual Benefit Societies

My name is Lance D. Collins. I am an attorney in private practice. I strongly support Senate Bill No. 1137, Relating to Mutual Benefit Societies.

Mutual benefit societies have existed in Hawai'i since the Kingdom era. Many mutual benefit societies in Hawai'i were composed of friends, families and neighbors who were familiar to each other on the basis of their shared "race" or ethnicity – especially among the working classes distrustful of an economy dominated by the Big Five. But they were largely under-capitalized and, from time to time, had difficulty meeting their obligations because of inadequate rates.

After World War I, some regulation was established for larger benefit societies, but not until the Great Depression did regulation expand to cover all societies.

Today, mutual benefit societies are like a specialized type of non-profit corporation that simply provides insurance to its members. Yet, like credit unions and certain other non-profit corporation equivalent business organizations, mutual benefit societies are not mandated to hold special meetings at the call of some small number of members, like regular non-profit corporations. Non-profit member corporations must hold special meetings at the call of 5% of their members. HRS 414D-102

Mutual benefit societies should be subject to a similar threshold, like 3%. However, there are a few mutual benefit societies in our state that have mind-bogglingly large memberships relative the size of the state's population.

Setting a mandatory 3% or 5% threshold for the members to hold a meeting in those cases is the same as having no mandatory threshold protection at all. In these instances, capping the number in absolute member terms to 500 or 1000 members is reasonable. If a mutual benefit society is so large that 3% of its member exceeds 500 or 1000 members, the threshold should be capped at 500 or 1000 so that members can call special meetings to address certain pressing issues of the membership that management may not be interested in pursuing and to which obtaining large numbers of member signatures is not practical.

Thank you for this opportunity to testify.

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