

L A T E

TO THE SENATE COMMITTEE ON HEALTH  
TWENTY-FIFTH LEGISLATURE  
Regular Session of 2010

Monday, March 15, 2010  
3:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2852 – RELATING TO INSURANCE PREMIUM TAX.**

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

Outrigger Hotels Hawaii opposes this bill, which imposes an insurance premium tax on mutual benefit societies and health maintenance organizations for a five year period.

Imposing tax increases during a weak economy is counterproductive to the objective of improving the situation. Since these increased costs will be passed to the consumers of health insurance through premium increases, the burden of a premium tax will fall primarily on business employers like Outrigger Hotels Hawaii who pay most of the premium, and secondarily on employees who pay for their share of individual or dependent coverage. Premiums are already rising at a steady, continual pace, and this additional burden would be punitive.

The idea of a tax credit for medical workforce promotion, health workforce education, or indigent health care is an idea worth consideration, but not at the price of imposing new taxes to support it.

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held.



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March 15, 2010  
3:00 pm  
Conference room 016

To: Sen. David Ige, Chair  
Sen. John Gree, M.D., Vice Chair  
Senate Committee on Health

Sen. Rosalyn Baker, Chair  
Sen. David Ige, Vice Chair  
Senate Committee on Commerce and Consumer Protection

From: Paula Arcena  
Director of Public Policy

Re: HB2852 Relating to the Insurance Premium Tax  
(Temporarily makes the insurance premium tax applicable to mutual benefit societies and health maintenance organizations. Establishes a medical and health promotion tax credit. Authorizes the insurance commissioner to adjust any inadequate rates for the managed care plans of mutual benefit societies and health maintenance organizations.)

Thank you for the opportunity to testify in opposition to HB2852.

AlohaCare is a non-profit, Hawaii based health plan, licensed in Hawaii as a health maintenance organization. We were founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve statewide beneficiaries of the Hawaii Medicaid QUEST program and Medicare.

As a Hawaii licensed health maintenance organization, AlohaCare would be required to pay premium taxes if HB2852 is approved.

Recent actions by the Hawaii Department of Human Services raise serious concern about the financial sustainability of Hawaii's Medicaid programs. Subjecting non-profit health plans to premium taxes, as proposed by this bill, weakens our ability to pay health care providers fairly for their services as well as sustain ourselves as a Hawaii health plan and employer.

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In December 2009, DHS reduced the compensation it pays to QUEST health plans and increased the services we provide. The following are additional services QUEST plans must provide under their contracts with no additional compensation --

- Effective May 1, 2010, approximately 7,000 non-pregnant adult COFA migrants will no longer receive health plan coverage under QUEST and will be transitioned to the new Basic Health Hawaii program.
- Effective July 1, 2010, seriously mentally ill children and adults, served by the Hawaii Department of Health, will be transitioned Medicaid QUEST and QUEST Expanded programs.
- Handling PPS (presumptive provider services) payments to community health centers, a financial function formerly the responsibility of DHS.

In January 2009, the Hawaii Department of Human Services announced it will delay payments to Medicaid health plans, including AlohaCare, for anywhere from two to four months. In total, the plans will use approximately \$200-\$400 million of their respective reserves to finance Hawaii's Medicaid programs during this period. During this period, DHS is essentially forcing Medicaid health plans to assume financial responsibility for the programs. Requiring HMOs to pay premium taxes in addition to assuming financial responsibility for Hawaii's Medicaid programs would be unduly burdensome.

Thank you for this opportunity to testify.