STAND. COM. REP. NO. **569** -06

Honolulu, Hawaii

E 417, 2006

RE: H.B. No. 2606 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Third State Legislature Regular Session of 2006

Sir:

State of Hawaii

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 2606 entitled:

"A BILL FOR AN ACT RELATING TO MOTOR VEHICLE INSURANCE,"

begs leave to report as follows:

The purpose of this bill is to streamline the procedure for adjusting a charge when an insurer:

- (1) Receives a demand from a medical service provider for payment under a motor vehicle policy's personal injury protection provisions; and
- (2) Finds that the billing exceeds the maximum charge permitted by law.

The Hawaii Insurers Council and State Farm Insurance Companies supported this bill. Consumer Lawyers of Hawaii opposed this measure. The Department of Commerce and Consumer Affairs commented on this bill.

Your Committee finds that in 1992, the Legislature reformed the motor vehicle insurance law. One of the reforms was the enactment of a medical fee schedule specifying the amount that can be billed for medical services under the personal injury protection coverage.

When the amount charged by a provider exceeds the cap under the medical fee schedule, insurers adjust the payment to the provider. As the result of a Hawaii Supreme Court ruling, insurers adjusting payments must now issue what is called a "statement of denial of benefits" on all payments less than the amount billed by medical providers. The statement of denial of benefits is sent to both the provider and the insured, and this has resulted in increased paperwork for insurers, and has caused insureds undue concern that the adjustment is a complete denial of benefits.

This bill would make clear that these adjustments are an acceptance of treatment and a dispute over the amount of the charge, and not a denial of benefits.

Your Committee has amended this bill to clarify that:

- (1) An insurer adjusting a claim must pay what the insurer believes is the amount owed and furnish a written explanation of any adjustments to the provider and claimant upon request, at no charge; and
- (2) The provider, claimant, or insurer may submit any dispute involving the charge amount, correct fee, or procedure code to the Commissioner, arbitration, or a court of competent jurisdiction.

Technical, nonsubstantive amendments were also made for clarity, consistency and style.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2606, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2606, H.D. 1, and be referred to the Committee on Finance.

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Respectfully submitted on behalf of the members of the Committee on Consumer Protection & Commerce,

ROBERT N. HERKES, Chair

State of Hawaii House of Representatives The Twenty-third Legislature

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB 2606 Date: 2/15/06				
Committee Referral: CPC, FIN		☐ The committee is reconsidering its previous decision on the measure.		
The recommendation is to: Pass, unamended Pass, with amendments				
☐ Hold ☐ Recommit				
CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. HERKES, Robert N. (C)	/			
2. SCHATZ, Brian (VC)	.			
3. CALDWELL, Kirk	<u> </u>			
4. ITO, Ken	. V			
5. KANOHO, Ezra R.				
6. KARAMATSU, Jon Riki				
7. MORITA, Hermina M.				
8. SONSON, Alex M.				
9. SOUKI, Joseph M.				
10. MARUMOTO, Barbara C.				
11. STONEBRAKER, Bud				
TOTAL	9			2
The recommendation is: Adopted				
□ Not Adopted				
If joint referral, did not support recommendation.				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Clerk's Office				
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