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GOVERNOR

JAMES R. AIONA, JR.
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HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 2852
RELATING TO THE INSURANCE PREMIUM TAX

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 17, 2010
TIME: 1:30PM
ROOM: 308

This measure temporarily imposes the insurance premium tax on mutual benefit societies and health maintenance organizations that were previously exempt from the tax from July 1, 2010 until June 30, 2015. The bill also allows a tax credit for cash contributed to a state program for the education of the medical workforce and the provision of health care to low-income persons.

The Department of Taxation (Department) **opposes the tax increase** contained in this measure and recommends that this measure be held.

A TAX INCREASE—The Department opposes this tax increase. Although the measure may level the playing field among entities providing insurance, the Department does not support tax increases, especially increases that will simply increase the costs of health insurance to consumers, both individuals and businesses, at a time when taxpayers, especially small businesses, cannot afford such increases.

REVENUE IMPACT – This bill would increase general fund revenues by approximately $56 million for fiscal year 2011, $72 million for fiscal year 2012, $103 million for fiscal year 2013, $122 million for fiscal year 2014, $127 million for fiscal year 2015.

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RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Wednesday, February 17, 2010
1:30 p.m.

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

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is J.P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department opposes this bill, which imposes the insurer 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 will fall primarily on business employers who pay most of the premium, and secondarily on individuals who own non-group policies. 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.

AlohaCare
Aloha is the difference

February 17, 2010
1:30pm
Conference room 308

To: Rep. Marcus Oshiro, Chair
Rep. Marilyn Lee, Vice Chair
House Committee on Finance

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 on this matter.

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.

We would like to inform the committee of our concerns about the measure.

In December 2009, our QUEST contract was amended by the Hawaii Department of Human Services to reduce our compensation and increase the services we provide to include moving severely mentally ill patients formerly serviced by the Department of Health into QUEST, creating the new Basic Health Hawaii program for non-pregnant adult COFA migrants and taking over PPS (presumptive provider services) payments to Hawaii's community health centers formerly handled by DHS.

In January 2009, the Hawaii Department of Human Services announced it will delay payments to Medicaid health plans, including AlohaCare, for three to four months. In total, the plans will use approximately $300 million of their respective reserves to finance Hawaii's Medicaid programs during this period.

DHS' actions alone, 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, under the current circumstances will jeopardize our ability to pay health care providers as well as sustain ourselves as a Hawaii health plan and employer.

Thank you for this opportunity to testify.

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