

HMSA exempt from \$560M over past 10 years

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HONOLULU - Hawaii's largest health insurance provider dodged \$560 million in state taxes over the past 10 years even as the state's safety net hospitals were shorted \$30.8 million, contributing to their request this session for an emergency taxpayer-backed bailout.

The insurer covering 60 percent of the health insurance in the state, Hawaii Medical Services Administration, is exempt from state premium taxes because it was set up in 1938 as a mutual benefit society. The insurance company came under fire last year for paying \$1.8 million in bonuses to its executives even while the Hawaii Medical Association warned that doctors are leaving the state because they can't afford to work here.

But HMSA Senior Vice President Cliff Cisco defends the company's reimbursements to doctors, saying they average 120 percent of the government-paid Medicare rate. Payments to hospitals and doctors vary by specialty but all are above the Medicare rate, he said.

"I have no knowledge of calculating how much a tax would have been if it had been there," Cisco said, adding, "Had it been there, it would have been a cost that employers and members would have had to pay."

The hospital group, Hawaii Health Systems Corp., has asked lawmakers for an emergency appropriation of \$25.4 million this year and another \$57 million in supplemental funding next year just to keep up with accounts payable. If it's approved, Hilo Medical Center would get \$8 million of the cash infusion and Kona Community Hospital would get \$5.5 million.

HHSC Chief Operating Officer and Chief Financial Officer Kelley Roberson said a recent analysis showed Hawaii hospitals receive 92 cents on the dollar of its costs from commercial insurers. Medicare and Medicaid reimbursements were on par with the rest of the country, but commercial insurers paid much less than the approximately 135 percent of Medicare that's the national average. He said HMSA has paid \$30.8 million less than the hospitals' costs for HMSA patients over the past four years.

"I'm in this wonderland negotiating a contract with HMSA just to get my costs," Roberson told Stephens Media. "This \$30.8 million in costs for HMSA beneficiaries was covered by general funds subsidies -- or what I refer to as corporate welfare for HMSA."

Doctors also bristle about HMSA's rates, consistently naming low reimbursements, high cost of living and high medical malpractice insurance premiums as the reasons doctors don't practice here.

"There are two main causes for the exodus of doctors: low reimbursement from insurance companies ... and high malpractice costs," said Lihue doctor Craig Netzer in testimony this week. "Since it seems no one in the Legislature wants to tackle the HMSA problem, something must be done about malpractice lawsuits."

House Health committee Chairman Josh Green, D-North Kona, Keauhou, Kailua-Kona, the only physician in the Legislature, has been hammering HMSA to increase reimbursements and has sponsored bills requiring the insurer to pay 135 percent of Medicare or risk losing its tax-exempt status. Green is also calling on the attorney general's office to audit HMSA's business practices.

"HMSA is, in effect, forcing the state and the taxpayers to make up for their inadequate reimbursements and keep our health care system on life support while they enjoy a tax exemption, large market share, enormous executive salaries and bonuses and large advertising and lobbying budgets," Green said.

HMSA has reported only \$73,000 in lobbying costs since 2005, according to its filings with the Ethics Commission. Its advertising costs are unknown.

Cisco said its premiums went up about 9 percent this year, comparable to the increase in the cost of living. He said physician reimbursements were raised 4.3 percent last month, an \$11 million increase to physicians. He said the company is already audited by the insurance commissioner and does its own independent financial audits each year.

"We're probably one of the most audited entities in the state of Hawaii," Cisco said.

Insurance Commissioner J.P. Schmidt said HMSA's 4.265-percent premium tax exemption comes to "a pretty sizable amount" and contributes to the lack of competition by commercial insurers. He said he'd like to see a way to make the system more fair, perhaps by requiring HMSA to do more community service work or exempting commercial insurers from the tax as well.

"Being at a 4-percent disability is just too much to overcome in the competitive world of health insurance," Schmidt