



UNIVERSITY OF HAWAI'I SYSTEM

TESTIMONY

SB 131

Testimony Presented Before the
Senate Committee on Health
and
Senate Committee on Commerce, Consumer Protection,
and Housing

February 15, 2005

By

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Statement of

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before the

**SENATE COMMITTEE ON HEALTH
AND SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION,
AND COMMERCE**

February 15, 2005
State Capitol, Conference Room 224, 5:00 p.m.

in consideration of

**SB 131
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

Chairs Baker and Menor, Vice Chairs Chun Oakland and Baker, and Committee members.

Thank you for this opportunity to testify on behalf of the John A. Burns School of Medicine of the University of Hawai'i in strong support of SB 131. This bill would establish and fund a domestic captive insurance company by providing malpractice and hospital professional and general liability coverage for Hawaii Health Systems Corporation (HHSC), the Department of Health (DOH), the John A. Burns School of Medicine (JABSOM), and their physicians involved in the provision of healthcare. As the State's only medical school, JABSOM has the responsibility for preparing the next generation of physicians to serve Hawaii's healthcare needs. The training of physicians is necessarily a hands-on process. Thus, our faculty physicians, in the course of training medical students, residents and fellows, provide direct patient care as a central part of their professional responsibilities. The provision of adequate malpractice insurance coverage is thus an important issue for our faculty as well as for the School. Without malpractice insurance, it would be impossible for us to train physicians.

Hawaii has not been immune to the malpractice insurance crisis which is sweeping the nation. Like many other communities across the country, Honolulu has seen a dramatic increase in malpractice insurance rates for physicians and hospitals over the course of the past two years. The increasing costs of malpractice insurance is becoming a serious strain on JABSOM's budget. Despite JABSOM's excellent claims history, the School's malpractice insurance premiums have risen approximately 25% over the past two years. In order to secure this high cost coverage, the School had to accept coverage limitations including an increased deductible from \$150,000 to \$300,000 per claim, restrictions on coverage of patient care encounters where no resident physician or medical student is present and the assumption by the university of some of the malpractice insurance

defense costs related to claims made against JABSOM physicians. As JABSOM's current policy is for a one-year term, the School anticipates a further significant problem in securing malpractice insurance for the period July 1, 2005 going forward.

A captive insurance company domiciled in the State of Hawai'i and organized under Hawaii's state law would be a significant benefit to JABSOM as well as HHSC and DOH. Based on JABSOM's experience in the current malpractice insurance market, we anticipate that the cost of malpractice insurance will continue to escalate if the School is forced to purchase a commercially available policy. We believe that a captive insurance vehicle, as proposed by SB 131 can provide the necessary coverage in a cost effective way ensuring that the School of Medicine and other government entities to whom the provision of healthcare is a central mission will continue to be able to fulfill our obligations to the people of Hawaii. Thus, we stand together with HHSC and the DOH in urging the Legislature to support SB 131.

Thank you for the opportunity to strongly support this measure.