



## HOUSE OF REPRESENTATIVES

STATE OF HAWAII  
STATE CAPITOL  
HONOLULU, HAWAII 96813

May 21, 2006

Steve T. Miller  
Commissioner  
Tax Exempt and Government Entities Division  
Department of the Treasury  
Internal Revenue Service  
Washington, DC 20224

Re: Complaint against the HMSA Foundation  
Political Activity Compliance Initiative (PACI)

Dear Commissioner Miller:

I am a member of the Hawaii State House of Representatives. I have concerns about the political and lobbying practices of the HMSA Foundation. Information on this organization may be found on their web site at [www.hmsafoundation.org](http://www.hmsafoundation.org).

It has come to my attention that the HMSA Foundation placed a full time employee, who is the foundation's Executive Administrator, into an "intern" or "embedded lobbyist" position with the Consumer Protection & Commerce Committee of the House of Representations in the 2006 legislature. This placement created public concern because of pending legislation that would have a direct impact on its parent and financial partner, the Hawaii Medical Service Association (HMSA). This organization insures more than 75% of our local market and is considered the predominant health plan provider in Hawaii.

HMSA is a member of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield plans. Information on this organization can be found at [www.hmsa.com](http://www.hmsa.com). I would specifically address your attention to the appearance of interlocking Executives of HMSA, HMSA Foundation and the boards of Directors of both boards.

As I review the IRS Code and excerpts from the IRS Publication 1828, September 2003, I am concerned that neither organization could pass the substantial part test as their employee was in a position to directly influence legislation. In fact, many of the outcomes of the Consumer Protection & Commerce Committee did, in fact, provide benefits to HMSA.

For your information, I have also filed a complaint with the Office of the Ethics Commission citing both Mr. Mark L. Forman and the HMSA Foundation for failing to comply with State of Hawaii Ethics and Lobbying requirements. I am enclosing copies of those complaints which contain the alleged violations and background information.

I would appreciate your review of my concerns and advise me if you need any further information. If possible, I would appreciate this complaint be placed on the fast track process to expedite the review of this referral and determine if it merits examination and also whether there was a "reasonable belief criterion" in which the organization may have engaged in political or lobbying activities as prohibited by section 501(c)(3) when considered fairly and in light of reliable information.

It is my understanding that, with the upcoming 2006 election, your office has developed a two-part effort that will include both education and enforcement. It is my experience that, while the HMSA Foundation and its parent association HMSA have been the most flagrantly visible, there may be other similar organizations that engage in similar prohibited activities in political campaigns and lobbying efforts. Your fast-tracking process could alleviate many potential other violations in upcoming Hawaii elections.

Thank you in advance for your consideration of my concerns. I can be reached at my direct phone line at 808-591-0000 if you have any immediate questions.

Very truly yours,



BEV HARBIN  
Representative  
State House of Representatives  
State of Hawaii  
808-586- 6180

Cc: Calvin Say,  
Speaker  
House of Representatives  
Robert P. Hiam