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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-FOURTH LEGISLATURE
Regular Session of 2008

Wednesday, January 23, 2008
8:00 a.m.

TESTIMONY ON HOUSE BILL NO. 2049 – RELATING TO INSURANCE.

TO THE HONORABLE JOSH GREEN, M.D., CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J. P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department takes no position but offers comments only for this bill,
which brings dental insurers under the premium rate regulation regime established for
health insurers.

This bill will not be effective in regulating dental insurers. This bill picks a few
sections from the rate regulation regime and applies it to dental insurers. This simply
will not work because it leaves out most of the regulations that are necessary to
implement rate regulation. The entire regime of rate regulation must be imposed for it to
be successful. In particular the bill provides no guidance as to what should be filed,
what methodology of filing should be used, what the basis for disapproval should be,
how to handle interim rates, or what penalties can be assessed for noncompliance. In
short, this bill does not establish an effective regulatory regime for dental insurers. In
addition, by enacting a separate regime for dental insurers, this bill creates an unlevel

playing field between health insurers and dental insurers. Finally, because the bill only modifies certain sections of the rate regulations statute it creates significant legal ambiguity as to what applies to dental insurers and what does not. This can be very problematic when it comes time to enforce the statute.

It should also be noted that dental insurers are not subject to a requirement to file annual financial statements with the Insurance Commissioner. This will make it harder for the Commissioner to implement rate regulation for dental insurers and when it is done, it will not be an exactly level playing field because dental insurers will be using financial statements based on GAAP as opposed to statutory accounting principles.

To enact effective regulation of dental insurers this bill should incorporate the defined term "dental insurance provider" into the definition of managed care plan instead of treating it a something separate from health insurance. Doing that would bring dental insurers under the complete regulatory regime established for health insurers, which as we have said is necessary for the regulation to be implemented successfully. Specifically, we strongly recommend the following changes.

1. Modify the definition of "managed care plan" as follows:

"Managed care plan" or "plan" means a dental insurance provider or a health plan as defined in section 431:10A, or chapter 432 or 432D, regardless of form, offered or administered by a health care insurer, including but not limited to a mutual benefit society or health maintenance organization, or voluntary employee beneficiary association, but shall not include disability insurers licensed under chapter 431."

2. Add a new definition of "health insurance" as follows:

“Health insurance” means insurance for medical goods and services, pharmaceuticals, and dental goods and services.”

3. Reverse the addition of the words “dental insurance provider” to “managed care plan” everywhere it appears in this bill. In addition eliminate the words “or dental care services and benefits by a dental insurance provider” from page 3, lines 3-4 of the bill.
4. Reverse the addition of the word “dental” to the word “health insurance” everywhere it appears in this bill.
5. Make the effective date of the bill January 1, 2009 so that the dental insurers have the time to develop a proper rate filing. Filings are complex and if a dental insurer is new to the process it will take some time for them do develop an effective rate filing.
6. Delete the exclusion for health plans that write dental insurance in order to assure a level playing field among all dental insurers. This requires modifying HRS section 431:14G-105(m) as follows:

“(m) Subsections (a) through (l) shall not apply to third party administrator services, [prepaid dental insurance offered by managed care plans,] prepaid vision insurance offered by managed care plans and disability insurers licensed under chapter 431. For managed care plans with rates based totally or in part on the individual group’s claims experience, insurers subject to this subsection shall submit to the commissioner for approval descriptions of the methodology to be used in creating rates and every modification thereof that it proposes to use. The description of methodology shall contain specific information allowing a determination of rates that meet the standards of section 431:14G-103(a) and supporting information and justification. Every filing shall state its proposed

effective date and shall indicate the character and extent of the coverage contemplated. Complete supporting and supplementary rating information for rates shall be maintained and made available to the commissioner upon request.”

We thank this Committee for the opportunity to present testimony on this matter and ask that this bill be held or, if the bill is to move forward, that the changes recommended herein be incorporated.

HMSA



Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

January 23, 2008

The Honorable Josh Green, M.D., Chair
The Honorable John Mizuno, Vice Chair
House Committee on Health

Re: HB 2049 – Relating to Insurance

Dear Chair Green, Vice Chair Mizuno and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2049 which would expand the health plan rate regulation statute to include the rates of dental insurance providers.

As the Committee is aware, health plan rate regulation was passed into law during the 2007 legislative session. As of January 2008, health plans in the state once again began to file their rates with the Insurance Division. While much of the reinstated statute resembles the original law which sunset in 2006, some small changes were made to the previous law. One change the legislature approved was to exempt dental plans from filing their rates.

HB 2049 seeks to amend the rate regulation statute just as health plans across the state begin submitting their rate filings again. We believe that the Committee should uphold the spirit of last year's legislative intent rather than rush to amend a law which has barely gotten underway this year.

Thank you for the opportunity to testify on HB 2049.

Sincerely,

A handwritten signature in black ink, appearing to read "JDiesman", with a long horizontal flourish extending to the right.

Jennifer Diesman
Director, Government Relations

HDS

Hawaii Dental Service

January 22, 2008

Representative Josh Green, M.D., Chair
Hawaii State House of Representatives
Committee on Health

Dear Chairman Green:


Hawaii Dental Service, a Hawaii non-profit dental service corporation (HDS) is opposed to H.B. No. 2049 relating to the regulation of dental insurance rates.

Almost seventy percent of Hawaii's civilian population is covered by commercial dental insurance, one of the highest rates of coverage in the nation, if not the highest, affording our residents broad access to dental care. Speaking for HDS, this high level of coverage is directly attributable to the affordable premiums charged and a network consisting of 96% of the practicing licensed dentists in Hawaii. HDS takes seriously its obligation to balance the need to keep premiums affordable for our community while at the same time ensuring that dentists are paid a reasonable reimbursement for the quality care that they provide. Our low administrative expense ratio is one of the major reasons that premiums are affordable by so many of Hawaii's businesses and residents. Further, a low administrative expense ratio also allows more premium dollars to be paid to our network dentists. Regulation would add unnecessary cost which ultimately must be borne by the consumer and/or the dentists.

A myriad of dental plans at many different benefit levels are currently offered in the Hawaii marketplace for employers and residents to choose from. We believe that the free marketplace is the best place for competitive, cost-effective dental plans to vie for customers. As the cost of medical benefits increases, there is increasing pressure on the healthcare dollar.

Access to dental care by virtue of dental insurance coverage is a success story in Hawaii. We urge you not to move H.B. No. 2049 forward. Mahalo.

With Aloha,



Faye W. Kurren
President and CEO