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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Wednesday, February 11, 2009
2:00 p.m.

TESTIMONY ON HOUSE BILL NO. 690, H.D. 1 – RELATING TO INSURANCE.

TO THE HONORABLE RYAN I. YAMANE, 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 supports H.B. 690, H.D. 1 which requires insurers to offer health care coverage to part-time employees working at least 15 hours a week, if their co-workers also have that coverage.

A few years ago the Hawaii Uninsured Project found that a significant number of the uninsured were part time workers. It is not surprising that we have a large number of part-time workers here in Hawaii because of the tourist industry and the Prepaid Health Care Act. Therefore, we support this kind of effort to expand coverage to persons who may now be uninsured.

The Committee should be aware, however, that one unintended consequence with this kind of initiative may be that sicker people will take the health insurance and healthier people will not and the result may be a higher premium rate.

The Committee may want to consider the benefits of a longer trial period for this pilot program. The shorter the trial period, the less reliable the study of the experience will be.

We thank this Committee for the opportunity to present testimony on this matter.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 11, 2009

The Honorable Robert Herkes, Chair
The Honorable Glenn Wakai, Vice Chair
House Committee on Consumer Protection and Commerce

Re: HB 690 HD1 – Relating to Insurance

Dear Chair Herkes, Vice Chair Wakai and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in **support** of HB 690 HD1. We do however have concerns about the possible unintended consequences should this measure be approved.

This bill seeks to fill a void in the Prepaid Health Care Act (PHCA) by requiring health plans to offer group coverage to employers for their part-time employees. These benefits would be made available to employees working between fifteen and twenty hours a week without the employer having to pay for the cost of the premium. While this is a worthwhile effort we believe that a mandate of this kind could adversely impact the business community.

If HB 690 HD1 were to pass, small group health plans could begin to see costs rise due to adverse selection. Without the mandate that part-time employees purchase health care coverage, individuals may arbitrarily decide when to apply to receive coverage and when to stop receiving coverage. This could be especially detrimental to small businesses since these entities are all pooled together for premium calculation purposes meaning that the cost of the entire pool (the “pool” is the population enrolled in plan) is used to determine any rate changes. Pooling together small groups allows health plans to keep premium costs down. However the end result of adverse selection in this case is that small businesses will inevitably end up paying more.

If it is the Committee’s will to pass HB 690 HD1, we would suggest a small amendment aimed at muting the effect of adverse selection. The coverage for part-time workers is not mandatory but by requiring that 75% of the part-time workers purchase health care coverage in order for the health plan to offer the coverage would help curb the affects of adverse selection. If 75% of the part-time employees decide to purchase coverage, there is a strong likelihood there will be a healthy mix of individuals who opt to do so.

To accomplish this the following language would be included in the following sections:

Page 1, Lines 4-10

§431:10A- Group health care coverage; part-time employees. An insurer that provides health care coverage in the state to the regular employees of any group

or association shall offer the same coverage to part-time employees of that group or association; provided that 75 percent of the part-time employees must agree to purchase the coverage. The group or association shall not be required by this section to pay any part of the premium for that coverage.

Page 2, Lines 7-14

§432:1- Group health care coverage; part-time employees. A mutual benefit society in the state whose hospital and medical service corporation contract provides health care coverage for the regular employees of any group or association shall offer the same coverage to part-time employees of that group or association; provided that 75 percent of the part-time employees must agree to purchase the coverage. The group or association shall not be required by this section to pay any part of the premium for that coverage.

Page 3, Lines 7-14

§432D- Group health care coverage; part-time employees. A health maintenance organization that issues a policy, contract, plan, or agreement in the state that provides health care coverage for the regular employees of any group or association shall offer the same coverage to part-time employees of that group or association; provided that 75 percent of the part-time employees must agree to purchase the coverage. The group or association shall not be required by this section to pay any part of the premium for that coverage.

We believe this amendment will help employers contain health care costs if their part-time workers opt to receive this coverage.

Thank you for the opportunity to testify today.

Sincerely,



Jennifer Diesman
Assistant Vice President
Government Relations

Testimony of
Phyllis Dendle
Director Government Relations

Before:
House Committee on Consumer Protection and Commerce
The Honorable Robert N. Herkes, Chair
The Honorable Glenn Wakai, Vice Chair

February 11, 2009
2:00 pm
Conference Room 325

HB 690 HD1 RELATING TO INSURANCE (Part-time employees)

Chair Herkes and committee members, thank you for this opportunity to provide testimony on HB690 HD1 which requires health insurance plans to offer the same coverage to part-time employees as provided to regular employees. The part-time employee would pay for this benefit if they choose to be covered.

Kaiser Permanente Hawaii supports the intent of this measure but have some concerns.

We appreciate the legislature's efforts to reduce the number of uninsured persons in Hawaii. We also want to acknowledge the effort in this bill to minimize the impact on employers. However, this proposal is not without impact.

As written, while the employer as mandated by law would cover all full-time employees; it would be at the option of the part-time employee to purchase this coverage. This creates a group of voluntary participants.

Experience tells us that a voluntary pool will have participants that use more health care. This is because they may choose not to purchase health coverage when they are healthy but will buy it when they need health care services. In a mandatory pool both the healthy that use few services and the less healthy that use more services are compelled to purchase insurance, which provides some balance. Given that assumption, the premiums are likely to become higher with this additional voluntary pool than in a solely mandatory pool.

This difference between mandatory and voluntary purchase has a direct impact on risk and its associated costs for all employees and employers.

If there were a way to assure that all part-time employees and not just those who need health services would purchase health coverage much of this risk would be reduced. If it is still at the option of the part-time employee to purchase coverage than the law should provide disincentives for jumping in and out of health plans based on the need for coverage.

This bill is well intentioned in wanting to provide more opportunity for uninsured people to get comprehensive insurance however it may have the unintended consequence of increasing premiums for businesses who currently must purchase health coverage for regular employees.

Since it was the legislature's intent to not have a financial impact on employers we request that you consider the negative impact this bill could have. Thank you for your consideration.