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TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Wednesday, March 4, 2009
10:00 a.m.

TESTIMONY ON HOUSE BILL NO. 690, H.D. 2 – RELATING TO INSURANCE.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE
COMMITTEE:

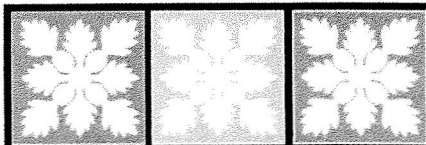
My name is J.P. Schmidt, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department supports the intent of H.B. 690, H.D. 2 which requires insurers to offer health care coverage to part-time employees if their co-workers also have that coverage. Some key items are currently missing from the bill such as the minimum number of work hours and the minimum percentage of part time workers needed for eligibility and we would need to see what is inserted in order to give our full support.

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 generally 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.



Hawaii Association of Health Plans

March 4, 2009

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance

Re: HB 690 HD2 – Relating to Insurance

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare
Hawaii Medical Assurance Association
HMSA
Hawaii-Western Management Group, Inc.

MDX Hawai‘i
University Health Alliance
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify on HB 690 HD2 which would require health plans that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working at least 15 hours per week.

While HAHP supports the intent of making health care coverage available to a population that does not qualify for employer-based health care coverage under the Prepaid Health Care Act, we have concerns with this measure.

Part-time persons present specific financial risk challenges to health plans due to the high likelihood of adverse selection. Health plans always use underwriting guidelines and rating methods designed for this risk to assure long term viability of providing coverage. This bill will not permit the usage of guidelines currently in place at our member organizations that offer such coverage.

We also believe that it is highly likely that this measure, if passed, could lead to higher premiums. Employer group rates may rise as health plans are forced to increase premiums due to this new, adversely self-selected risk pool.

Thank you for the opportunity to offer comments today.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Jackson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rick Jackson
President

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 4, 2009

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance

Re: HB 690 HD2 – Relating to Insurance

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to provide comments on HB 690 HD2.

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 HD2 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.

Currently HB 690 HD2 contains language which could aid in containing costs if this measure were to pass. We believe that alone or in tandem some of these amendments could assist in lessening the affects of adverse selection.

Thank you for the opportunity to testify today.

Sincerely,

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

Jennifer Diesman
Assistant Vice President
Government Relations

Testimony of
Phyllis Dendle
Director of Government Affairs

House Committee on Finance
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

March 4, 2009
10:00 am
Conference Room 308

HB 690 HD2 RELATING TO INSURANCE (Part-time employees)

Chair Oshiro, and committee members, thank you for this opportunity to provide written testimony on HB690 HD2 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. The law passed by the legislature last year to provide coverage to self-employed individuals could provide a model for this kind of language.

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.