

HB 690 HD 2

**Measure
Title:**

RELATING TO INSURANCE.

**Report
Title:**

Group Health Insurers; Small Business

Description:

**Requires insurers that offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees working a certain amount of hours per week and for a minimum length of time, if a minimum percentage of the part-time employees agree to purchase coverage. Requires the Insurance Commissioner to submit a cost-benefit report to the Legislature. Effective 07/01/2020.
(HB690 HD2)**



LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

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RONALD BOYER
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TO THE SENATE COMMITTEES ON HEALTH AND LABOR

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Friday, March 20, 2009
2:45 p.m.

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

TO THE HONORABLE DAVID Y. IGE AND DWIGHT Y. TAKAMINE, CHAIRS, AND MEMBERS OF THE COMMITTEES:

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 Committees 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 Committees 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 the Committees for the opportunity to present testimony on this matter.

Testimony of
Phyllis Dendle
Director of Government Affairs

Before:
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Josh Green M.D., Vice Chair

Senate Committee on Labor
The Honorable Dwight Y. Takamine, Chair
The Honorable Brian T. Taniguchi., Vice Chair

March 20, 2009
2:45 pm
Conference Room 016

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

Chairs Ige and Takamine, and committee members, thank you for this opportunity to provide 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 we 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.

We appreciate the efforts of previous committees to reduce the impact of the voluntary purchasers by requiring a minimum percent of part-time employees to sign up in order for the company to participate. However, it is not clear what will happen to the other part-time participants if the percentage drops below the minimum.

There needs to be disincentives for jumping in and out of health plans based on the need for coverage. The bill could require that like full-time employees, part-time employees only be permitted to join a health plan at open enrollment or upon a qualifying event. As written, they could join and drop out at any time. The law passed by the legislature last year to provide coverage to self-employed individuals could also 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.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 20, 2009

The Honorable David Ige, Chair
The Honorable Dwight Takamine, Chair
Senate Health and Labor Committees

Re: HB 690 HD2 – Relating to Insurance

Dear Chair Ige, Chair Takamine and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 690 HD2. HMSA supports the intent of this measure. We do have a number of suggested amendments in an effort to limit adverse selection.

If HB 690 HD2 were to pass, small businesses could see premiums increase 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 problematic for small businesses since these entities are all pooled together for premium calculation purposes. Although this measure is touted as having no cost impact to employers, businesses will undoubtedly end up paying more in overall premium costs for all of their employees.

Currently HB 690 HD2 contains language which could aid in containing costs if this measure were to pass. If it is the Committees' will to pass this measure, we would like to make some suggestions to assist in counteracting the potential affects of adverse selection.

We would request that the original definition of part-time workers be re-inserted into the measure. The original language defined a part-time employee as one working more than 15 but less than 20 hours per week. This number is currently blanked out throughout the bill. This would be added to page 2, line 2; page 3, line 2; and page 4, line 2.

We would request the removal of the language throughout the measure which refers to a certain percentage of employees having to sign up for coverage prior to it being offered to part-time employees. We believe that this provision will be difficult if not impossible for plans to enforce therefore rendering it ineffective. This language would be removed from page 1, lines 8-9; page 2, lines 14-15 and page 3, lines 14-15.

At a previous hearing the Insurance Commissioner suggested that part-time employees meet a length of service anniversary with the employer before being able to opt for the coverage. We believe that this could be useful in staunching the affects of adverse selection and would therefore request that this timeframe be 18 months which would be added to the blanks on page 2, line 3; page 3, line 3 and page 4, line 3.

We would also suggest language mirroring that which was included in the sole proprietor measure passed last legislative session. This language would require that part-time employees enroll with the group health plan during the open enrollment period. The language further allows for an individual who has been continually employed by a single employer for 18 months to enroll within 30 days of the 18 month anniversary date outside of the open enrollment period. If an individual drops their coverage, they must wait for one year and may then re-enroll during open enrollment. We believe that this language will help to contain adverse selection by preventing individuals from only obtaining coverage when necessary, letting it lapse and rejoining when needed. The language below would need to be added to each section of the measure accordingly.

"Qualifying event" means the date on which the part-time employee has been continuously employed by a single employer for a period of eighteen months.

Group health issuers may limit periods of enrollment for part-time employees to a minimum of thirty calendar days; provided that:

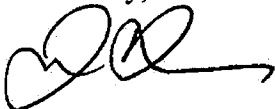
(1) Part-time employees who experience a qualifying event shall enroll with a group health issuer within thirty days of the qualifying event; and

(2) Group health issuers shall be allowed to impose a one-year waiting period against part-time employees who terminate coverage for any reason. If a part-time employee terminates coverage and a one-year waiting period is imposed against the individual, a group health issuer need not reenroll the individual until the period of enrollment following the one-year waiting period.

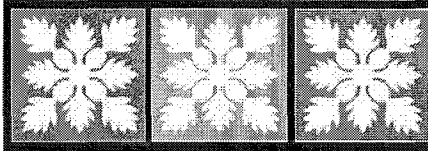
Additionally we would request an enactment date of January, 2010 to allow plans the time needed to make changes to current contracts.

Thank you for the opportunity to testify today.

Sincerely,



Jennifer Diesman
Assistant Vice President
Government Relations



Hawaii Association of Health Plans

March 20, 2009

The Honorable David Ige, Chair
The Honorable Dwight Takamine, Chair

Senate Committees on Health and Labor

Re: HB 690 HD2 – Relating to Insurance

Dear Chair Ige, Chair Takamine and Members of the Committees:

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



**Testimony to the Senate Committees on Health and Labor
Friday, March 20, 2009; 2:45 p.m.
Conference Room 016**

RE: HOUSE BILL NO. 690, HD2 RELATING TO INSURANCE

Chairs Ige and Takamine, Vice Chairs Green and Taniguchi and members of the committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber appreciates the opportunity to provide comments on HB 690 HD2.

The Chamber is the largest business organization in Hawaii, representing over 1100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. The organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The measure requires group health issuers to offer health care coverage to the regular employees of any group or association to offer the same coverage to part-time employees.

Providing adequate and quality health care is essential in producing a healthy population and economy. Although we understand the intent, the Chamber has serious concerns about the potential unintended consequences of this measure. We believe this bill could adversely impact the business community such as increases in premium costs due to adverse selection. Businesses, especially small companies already face high healthcare costs and the overall cost of doing business. During these difficult times, we cannot afford to undertake risks that result in higher costs.

The Chamber believes that further evaluation of the impact of this measure and concerns of all parties need to be addressed first.

Thank you for the opportunity to submit written comments.