Testimony of
Phyllis Dendle
Director of Government Relations

Before:
Senate Committee on Commerce and Consumer Protection
The Honorable Rosalyn H. Baker, Chair
The Honorable David Y. Ige, Vice Chair

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

January 23, 2009
10:00 am
Conference Room 229

Informational Briefing regarding health insurance rate regulation

Chairs Baker and Ige and committee members, thank you for this opportunity to discuss health insurance rate regulation.

The current law on rate regulation has been in effect for about a year. In that time our interactions with the Insurance Commissioner and the staff of the insurance division have been cooperative and productive. It probably helps that our requested rate increase in 2008 was only 2%. So under the present circumstances we have been able to comply with the law without great difficulty.

That being said, we still have concerns about this law.

First, we remain convinced that medical trends and market forces are the real drivers for the level of premium rate increases implemented each year. Kaiser Permanente as both a provider and a health plan is in a unique position.

As a provider we must assure that we have sufficient resources to provide health care to our approximately 220,000 members. Like any other hospital or clinic we face the same difficulties of having payments from government programs that do not adequately cover the cost of providing care to the beneficiaries of those programs. Other than those government payments all of the costs for providing health care come directly from premiums paid to the health plan.

As a health plan we have to be sensitive to the impact of any increase on those who pay the premiums. In Hawaii, that's mostly employers. Many of these purchasers are very price driven. If we make our premium costs too high they will buy someone else's health plan and we lose members and their premium dollars. Even with less dollars coming into the health plan we are obligated to provide a full range of services to Kaiser

Phyllis Dendle
Kaiser Permanente Hawaii
Government Relations
711 Kapiolani Blvd
Honolulu, Hawaii 96813
Telephone: 808-432-5210
E-mail: phyllis.dendle@kp.org

Permanente members regardless of the cost. It is the mixed blessing of being an integrated staff model health maintenance organization and it is a delicate balancing act that we have done better some years than others.

When we consider a premium increase this is what we think about and struggle with and worry over. Its not until we have thrashed this dilemma out completely that we consider if we will be able to convince the insurance commissioner that our rates are appropriate. Even without this insurance regulation we would be forced to do this dance every year because our market is so price sensitive and we are committed to providing quality health care at an affordable price.

It's also important to note that when compared to the other states, employers in Hawaii pay the lowest premium rates for both single employee and family plans. The most recent data available, from 2006, was used by the Kaiser Family Foundation to produce the tables provided with my testimony. Over the last ten years Hawaii has consistently had premium rates lower than the national average. Tables for single and family coverage produced by Hawaii Health Information Corporation are also included. Hawaii's purchasers have not needed intervention from the state to have these more favorable rates.

Our second concern is the timing of the rate review as provided in the law. Let me say again that our experience with this insurance commissioner is not problematic at this time. However, this law will continue to apply to the health plans under future insurance commissioners who may not be as cooperative. The law requires a 60 day waiting period that may be extended by 15 days to permit the insurance commissioner to review the information provided by plans and approve the rates requested. While this is not unreasonable, the law also permits the commissioner to request additional information and to restart the waiting period when the information is received from the plan. There is no limit on how many times this can occur

> "When a filing is not accompanied by supporting information or the commissioner does not have sufficient information to determine whether the filing meets the requirements of this article, the commissioner shall require the managed care plan to furnish additional information and, in that event, the waiting period shall commence as of the date the information is furnished. 431:14G-105 (d) HRS"

So deciding when to submit rates for approval also turns out to be a delicate balance. Submit them early and we are forced to make assumptions based on older and potentially less accurate data. Submit them later and we run the risk of being asked for additional information that can push back the approval of our rates. Not having approved rates means that employers can face an open enrollment period without us being able to provide firm and final rates. This makes everyone's business more difficult and more expensive due to additional administrative costs.

These are our main concerns with health insurance rate regulation. We respectfully request that you consider them should you decide to make changes to this law.

Thank you again for the opportunity to discuss this matter with you.

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< Back to previous pa

Average Single Premium per Enrolled Employee For Employer-Based Health Insurance, 2006

Bar Graph | Table | Map | Map & Table

Rank by: Total

View by: % | $

Rank Order: ▲▼

Rank		Employee Contribution	Employer Contribution	Total
	United States	$782	$3,336	$4,118
1	Hawaii	$355	$3,194	$3,549
2	Arkansas	$713	$2,854	$3,567
3	Idaho	$572	$3,001	$3,573
4	Nevada	$537	$3,046	$3,583
5	Mississippi	$741	$2,963	$3,704
6	Tennessee	$749	$2,998	$3,747
7	North Dakota	$682	$3,105	$3,787
8	Kentucky	$682	$3,109	$3,791
9	Kansas	$767	$3,066	$3,833
10	Utah	$847	$3,041	$3,849
11	Georgia	$852	$3,021	$3,873
12	Nebraska	$895	$3,034	$3,890
13	Iowa	$783	$3,133	$3,916
14	Maryland	$904	$3,026	$3,930
15	Florida	$866	$3,070	$3,936
16	Louisiana	$748	$3,190	$3,938
17	South Dakota	$709	$3,229	$3,938
18	Alabama	$907	$3,036	$3,943
19	Missouri	$712	$3,246	$3,958
20	Oklahoma	$635	$3,332	$3,967
21	Minnesota	$796	$3,185	$3,981
22	Indiana	$838	$3,151	$3,989
23	South Carolina	$803	$3,210	$4,013
24	Colorado	$724	$3,300	$4,024
25	North Carolina	$725	$3,342	$4,027
26	California	$646	$3,390	$4,036
27	New Mexico	$727	$3,310	$4,037
28	Ohio	$770	$3,284	$4,054
29	Washington	$608	$3,448	$4,056
30	Virginia	$982	$3,109	$4,091
31	Oregon	$536	$3,586	$4,122
32	Texas	$744	$3,389	$4,133
33	Montana	$580	$3,564	$4,144

34	Wisconsin	$891	$3,350	$4,241
35	Illinois	$807	$3,438	$4,245
36	Pennsylvania	$898	$3,379	$4,277
37	Arizona	$813	$3,467	$4,280
38	Vermont	$735	$3,587	$4,322
39	West Virginia	$826	$3,523	$4,349
40	Connecticut	$880	$3,522	$4,402
41	Michigan	$667	$3,779	$4,446
42	Massachusetts	$1,023	$3,425	$4,448
43	New Jersey	$894	$3,577	$4,471
44	Alaska	$726	$3,813	$4,539
45	District of Columbia	$681	$3,859	$4,540
46	Rhode Island	$873	$3,722	$4,595
47	Wyoming	$645	$3,960	$4,605
48	New York	$967	$3,638	$4,605
49	New Hampshire	$1,017	$3,605	$4,622
50	Maine	$1,072	$3,591	$4,663
51	Delaware	$754	$3,958	$4,712

Notes: Figures may not sum exactly due to rounding.

Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2006 Medical Expenditure Panel Survey (MEPS) -Insurance Component. Tables II.C.1, II.C.2, II.C.3 available at: Medical Expenditure Panel survey (MEPS), accessed July 9, 2008.
Definitions and descriptions of the methods used for this survey are also available.

Definitions: **MEPS**: The Medical Expenditure Panel Survey IC is an annual survey of establishments that collects information about employer-sponsored health insurance offerings in the United States.

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< Back to previous pa

Average Family Premium per Enrolled Employee For Employer-Based Health Insurance, 2006

Bar Graph | Table | Map | Map & Table

Rank by: Total

View by: % | $

Rank Order: ▲▼

Rank		Employee Contribution	Employer Contribution	Total
	United States	$2,845	$8,536	$11,381
1	Hawaii	$2,451	$6,975	$9,426
2	Nevada	$2,144	$7,602	$9,746
3	Mississippi	$3,028	$6,741	$9,769
4	Kentucky	$2,466	$7,398	$9,864
5	South Dakota	$2,568	$7,308	$9,875
6	Arkansas	$3,177	$6,751	$9,928
7	Tennessee	$2,799	$7,197	$9,996
8	North Dakota	$3,018	$7,042	$10,060
9	Iowa	$2,638	$7,913	$10,550
10	Alabama	$2,960	$7,611	$10,571
11	Oklahoma	$3,072	$7,520	$10,592
12	Idaho	$2,155	$8,620	$10,775
13	Nebraska	$3,018	$7,759	$10,777
14	Georgia	$2,914	$7,879	$10,793
15	Louisiana	$3,023	$7,773	$10,796
16	North Carolina	$2,847	$8,103	$10,950
17	South Carolina	$2,958	$7,998	$10,956
18	Ohio	$2,522	$8,445	$10,967
19	Utah	$2,634	$8,341	$10,975
20	Florida	$3,645	$7,401	$11,046
21	Kansas	$2,983	$8,176	$11,048
22	Montana	$2,767	$8,301	$11,068
23	Missouri	$2,569	$8,602	$11,171
24	Colorado	$2,911	$8,396	$11,195
25	Maryland	$3,043	$8,341	$11,272
26	New Mexico	$2,933	$8,346	$11,279
27	West Virginia	$2,482	$8,913	$11,282
28	Minnesota	$3,077	$8,318	$11,395
29	Washington	$2,856	$8,567	$11,423
30	Michigan	$2,405	$9,047	$11,452
31	Indiana	$2,634	$8,820	$11,454
32	California	$3,103	$8,390	$11,493
33	Virginia	$3,564	$7,933	$11,497

34	Arizona	$3,234	$8,315	$11,549
35	Oregon	$3,252	$8,361	$11,613
36	Vermont	$2,675	$9,072	$11,631
37	Wisconsin	$2,448	$9,210	$11,658
38	Texas	$3,039	$8,651	$11,690
39	Illinois	$2,710	$9,071	$11,781
40	Pennsylvania	$2,831	$8,963	$11,794
41	Rhode Island	$2,387	$9,547	$11,934
42	New York	$2,657	$9,419	$12,075
43	Wyoming	$2,297	$9,790	$12,087
44	Alaska	$2,928	$9,392	$12,198
45	New Jersey	$2,936	$9,297	$12,233
46	District of Columbia	$2,575	$9,687	$12,262
47	Massachusetts	$3,073	$9,218	$12,290
48	Maine	$3,709	$8,654	$12,363
49	Connecticut	$2,980	$9,436	$12,416
50	Delaware	$2,520	$10,081	$12,601
51	New Hampshire	$3,298	$9,388	$12,686

Notes: Figures may not sum exactly due to rounding.

Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2006 Medical Expenditure Panel Survey (MEPS) -Insurance Component. Tables II.D.1, II.D.2, II.D.3 available at: Medical Expenditure Panel survey (MEPS), accessed July 9, 2008.
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Health Trends in Hawai'i *data table.*

Single Coverage Premium, Hawai`i vs. U.S.

Dollars

Year	Hawai`i	U.S.
1996	2,005	1,992
1997	2,022	2,051
1998	2,584	2,174
1999	2,208	2,325
2000	2,748	2,655
2001	2,698	2,889
2002	2,723	3,189
2003	3,020	3,481
2004	3,168	3,768
2005	3,344	4,112
2006	3,530	4,488

N/A = Not Available
Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, Medical Expenditure Panel Survey, Insurance Component.; University of Hawai`i at Manoa Projections.
Note: Values for 2004-2006 are projected via a non-linear, discrete-time formula.

Health Trends in Hawai'i *data table.*

Family Coverage Premium, Hawai`i vs. U.S.

Dollars

Year	Hawai`i	U.S.
1996	5,319	4,954
1997	5,337	5,332
1998	6,697	5,590
1999	5,539	6,058
2000	6,392	6,772
2001	7,406	7,509
2002	7,768	8,469
2003	7,887	9,249
2004	8,519	10,081
2005	9,053	11,083
2006	9,621	12,184

N/A = Not Available
Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, Medical Expenditure Panel Survey, Insurance Component.; University of Hawai`i at Manoa Projections.
Note: Values for 2004-2006 are projected via a non-linear, discrete-time formula.