

SB 172



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON HEALTH
AND COMMERCE AND CONSUMER PROTECTION

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Wednesday, February 18, 2009
9:00 a.m.

TESTIMONY ON SENATE BILL NO. 172 – RELATING TO HEALTH CARE.

TO THE HONORABLE DAVID Y. IGE AND ROSALYN H. BAKER, 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”).

Although the Department has heard from healthcare providers that
reimbursement rates may not be adequate, we cannot support this bill as written. If
there is a reimbursement mandate it must apply not only to mutual benefit societies, but
also to for-profit managed care plans. In addition, we are concerned that there may be
too much subjectivity in determining which states most closely resemble Hawaii in terms
of the cost of living to be enforceable. We also recommend that the commissioners’
power to make rules under this section be discretionary, rather than mandatory. The
reason is that it is not clear to us what those rules would add to this bill.

We thank the Committee for the opportunity to submit testimony and ask that this
bill be held.



February 18, 2009, 9:00 a.m. in Room 229

To: Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, MD, Vice Chair

Senate Committee on Commerce and Consumer Protection
Senator Rosalyn H. Baker, Chair
Senator David Y. Ige, Vice Chair

OFFICERS

Gary Okamoto, MD
President

Robert Marvit, MD
President Elect

Cynthia Jean Goto, MD
Immediate Past President

Thomas Kosasa, MD
Secretary

Jonathan Cho, MD
Treasurer

April Donahue
Executive Director

By: Hawaii Medical Association
Gary A. Okamoto, MD, President
Philip Hellreich, MD, Legislative Co-Chair
Linda Rasmussen, MD, Legislative Co-Chair
April Donahue, Executive Director
Richard C. Botti, Government Affairs
Lauren Zirbel, Government Affairs

Re: SB172 RELATING TO HEALTH CARE

Chairs & Committee Members:

Hawaii Medical Association opposes this measure.

HMA opposes the state determining reimbursements based on our experience with workers' compensation and Medicaid, both of which often do not cover the cost of delivering services.

While this measure would allow the Insurance Commissioner to set reimbursement rates which in the short term may improve reimbursements, it is no guarantee that reimbursement rates will be fair over the long term.

Reimbursement rates should be based on the costs to provide the health care procedure or service.

Thank you for the opportunity to provide this testimony.

Hawaii Medical Association
1360 S. Beretania St.
Suite 200
Honolulu, HI 96814
(808) 536-7702
(808) 528-2376 fax
www.hmaonline.net

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 18, 2009

The Honorable David Ige, Chair
The Honorable Rosalyn Baker, Chair
Senate Committees on Health and Commerce and Consumer Protection

Re: SB 172 – Relating to Health Care

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in opposition to SB 172.

This legislation would remove a mutual benefit society's ability to determine reimbursement rates for contracted physicians. Currently HMSA updates and reviews our physician fee schedules annually which include reviewing approximately 10,000 physician codes and procedures. The removal of physician reimbursement rate setting from a health plan's purview could ultimately end up adversely impacting Hawaii's health care system.

Some of the issues with the language in SB 172 include:

- **Scope of SB 172** - The reimbursement structure outlined in this measure only applies to plans in the state organized as a mutual benefit society (MBS) exempting plans operating as health maintenance organizations (HMO) and for-profit entities. While HMOs operate as a closed system, there are instances when HMO members access care outside of their network. Legislation of this type would give plans operating outside of the MBS statute an advantage when it comes to setting reimbursement rates. Under SB 172, HMOs and for-profit entities could keep their reimbursements lower, along with their premiums, giving them a competitive advantage. We believe that regulation should be applied equally to ensure there is a level regulatory playing field for all plans in the state.
- **Increased Costs for Employers** – As was included in last session's measure, SB 172 proposes to set a minimum floor at 135% of the Medicare reimbursement rate applicable to Hawaii. HMSA examined the potential impact of increasing physicians' reimbursements to this level. To accomplish this, HMSA's overall payments to physicians would increase by 9.2%. This increase would be financed through increased employer premium rates.
- **Regulating Reimbursements** – Although a health plan's reimbursement rates to physicians are currently not in statute, a health plan's premium rates are already regulated. We believe that a health plan should have the ability to set its own rates. Additionally, placing reimbursement rates in statute may

cause problems in the long run as they will be difficult to revise to react to changes in the health care environment.

- **Insurance Commissioner (IC) Conflict of Interest** - The IC is tasked with regulating all health plans in the state. We believe that giving the IC the authority to set reimbursement rates for any health plan is a conflict of interest.
- **Loss of Non-Profit Status**- A mutual benefit society that fails to comply with the rate setting regulation in this measure would lose its non-profit status. Imposing taxation on non-profit health plans would result in a 4.16% increase in premiums for employers. Revocation of a plan's non-profit status will only end up harming employers that are already experiencing great hardships during these difficult economic times.

For the reasons mentioned above, we would respectfully urge the Committees to hold SB 172. Thank you for the opportunity to provide testimony today.

Sincerely,



Jennifer Diesman
Assistant Vice President
Government Relations