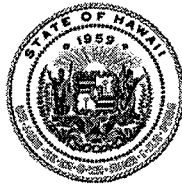


SB 591



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

STATE OF HAWAII
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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

Monday, February 23, 2009
3:00 p.m.

TESTIMONY ON SENATE BILL NO. 591 – RELATING TO INSURANCE.

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”). The Department supports H.B. 591 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 and ask for your favorable consideration.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 23, 2009

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

Re: SB 591 – Relating to Insurance

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 591. We have concerns with the language in this measure.

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. While this is a worthwhile effort we believe that a mandate of this kind could adversely impact the business community.

If SB 591 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. Without a mandate requiring all part-time workers purchase coverage accompanied by a subsidy to assist them in covering the cost of the premium, the affect of this legislation to the uninsured could be minimal.

We also question whether the amount of work and effort to implement an initiative of this type may be cost effective for the plans. After Act 120 passed in 2008 requiring health plans to offer a group health plan to sole proprietors, HMSA embarked on a lengthy implementation process. While the effective date of the measure was September 2008, HMSA’s rates for this plan were not implemented until November. HMSA received 400 inquiries between September 1st and mid-November. Once HMSA was able to utilize our rates, we mailed applications to 247 eligible individuals. During the open enrollment period, 42 individuals ultimately signed up for plan and as of January 2009 HMSA’s plan had 80 individuals enrolled. Although it may be too soon to determine the success of the legislation, it has not made a large difference for many in our community yet.

We believe that there is great opportunity and optimism regarding health care as the federal government begins the task of determining the most appropriate method to provide health care to the uninsured. While it is true that Hawaii is better off than much of the nation due to the PHCA, there are definitely groups for which an employer

mandate will never offer relief to. We look forward to working to find solutions that comprehensively provide coverage for all of our “gap groups.”

Thank you for the opportunity to testify today.

Sincerely,

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

Jennifer Diesman
Assistant Vice President
Government Relations

Testimony of
Phyllis Dendle
Director Government Relations

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

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

February 23, 2009
3:00 pm
Conference Room 016

SB 591 RELATING TO INSURANCE (Part-time employees)

Chairs Ige and Baker, and committee members thank you for this opportunity to provide testimony on this bill 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.

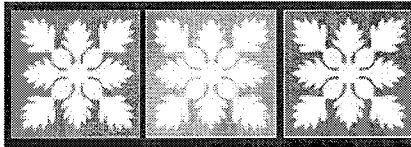
Experience tells us that a voluntary pool will have participants that use more health care. This is because they may choose not to purchase health coverage when they are healthy but will buy it when they need health care services. In a mandatory pool both the healthy that use few services and the less 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.



Hawaii Association of Health Plans

February 23, 2009

The Honorable David Ige, Chair
The Honorable Rosalyn Baker, Chair

Senate Committees on Health and Commerce and Consumer Protection

Re: SB 591 – Relating to Insurance

Dear Chair Ige, Chair Baker 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 SB 591 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 extending to the right.

Rick Jackson
President

From: Joel Fischer [jfischer@hawaii.edu]
Sent: Thursday, February 19, 2009 6:52 PM
To: HTHTestimony
Subject: SB591;HTH;2/23/09;3PM;Rm016

Importance: High

Categories: Green Category, Blue Category

SB591, Relating to Insurance
HTH;Chair, Sen Baker

PLEASE PASS THIS BILL!

When we passed our insurance bill requiring companies to provide insurance coverage to employees whom were working 20 hours/week, we were hailed as the health state. Sadly, that bill opened up a loophole for unscrupulous companies and institutions -even my beloved UH!- to keep people underemployed for the sole purpose of denying them health benefits. Surveys show this despicable practice is widespread in Hawai'i.

This bill will start braking down the barriers to health insurance for many more of our neighbors and friends, and I urge its passage. In this awful economy, we will be seeing more and more people underemployed, and we HAVE to do something to help!

Thank you for passing this bill.

Aloha, joel

Dr. Joel Fischer, ACSW
President, 19-3, Democratic Party

Professor
University of Hawai'i, School of Social Work
Henke Hall
Honolulu, HI 96822

"It is reasonable that everyone who asks justice should DO justice."
Thomas Jefferson

"There comes a time when one must take a position that is neither safe, nor politic, nor popular, but one must take it because one's conscience tells one that it is right."
Dr. Martin Luther King, Jr.

"Never, never, never quit."
Winston Churchill

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 18, 2009 5:53 PM
To: HTHTestimony
Cc: refrey2001@yahoo.com
Subject: Testimony for SB591 on 2/23/2009 3:00:00 PM

Categories: Green Category, Blue Category

Testimony for HTH/CPN 2/23/2009 3:00:00 PM SB591

Conference room: 016
Testifier position: oppose
Testifier will be present: No
Submitted by: Richard Frey
Organization: Individual
Address:
Phone:
E-mail: refrey2001@yahoo.com
Submitted on: 2/18/2009

Comments:

Part time employees are currently defined as less than 20 hours. I see no justification for a bill creating a different definition.