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TO THE HOUSE COMMITTEES ON CONSUMER PROTECTION & COMMERCE
AND JUDICIARY

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Thursday, February 18, 2010
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 2089, H.D. 1 – RELATING TO HEALTH
INSURANCE.**

TO THE HONORABLE ROBERT N. HERKES AND JON RIKI KARAMATSU, CHAIRS,
AND MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department opposes this bill, which requires increased reporting by health insurers and healthcare providers.

This bill is to some extent redundant as to information reporting that is already required on financial statements filed with the Insurance Division. We wish to point out that mere information reporting without a corresponding statutory power to regulate the expenses reported may not accomplish very much as a practical matter.

The requirements to collect data from healthcare providers is impractical and unworkable given that there are about 3,000 doctors many of whom operate independent practices. To standardize the data collection and introduce conforming computer systems throughout Hawaii’s healthcare system will be a cumbersome and expensive process for both the State and for the providers. In addition, the only way the

DCCA Testimony of J.P. Schmidt
H.B. No. 2089, H.D. 1
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Insurance Division can handle this type of project would be to hire additional staff at a time when such hiring is inadvisable.

We thank the Committees for the opportunity to present testimony on this matter and ask that this bill be held.



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February 18, 2010

To: The Honorable Robert N. Herkes
Chair, House Committee on Consumer Protection and Commerce

The Honorable Jon Riki Karamatsu
Chair, House Committee on Judiciary

From: 'Ohana Health Plan

Re: House Bill 2089, House Draft 1-Relating to Health Insurance

Hearing: Thursday, February 18, 2010, 2:00 p.m.
Hawai'i State Capitol, Room 325

Since February 2009, 'Ohana Health Plan has provided services under the Hawai'i QUEST Expanded Access (QExA) program. 'Ohana is managed by a local team of experienced care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.3 million Medicaid and Medicare members nationwide. 'Ohana is able to take the national experience in providing an Ohana care model that addresses local members' healthcare and health coordination needs.

We appreciate this opportunity to submit our comments in opposition to House Bill 2089, House Draft 1-Relating to Health Insurance.

HB 2089 focuses on medical expense thresholds as an indication of health plan efficiency and medical care provided. This approach is problematic because it does not account for indirect medical expenses that lead to higher quality and more effective care. For example, coordinated care programs, disease management, 24-hour nurse hotlines, and health IT systems, which are designed to keep people healthy and save the state money, are considered administrative costs. Medical expense thresholds penalize plans with these types of programs.

Setting a minimum fixed medical expense threshold also interferes with the insurance underwriting cycle creating an unstable and unsustainable marketplace. 'Ohana works with the state and uses best estimates about where health care cost trends will be six to 12 months in the future. Some years, estimates are accurately and are profitable, while in other years they face steep losses due to unplanned medical expenses.

Both for-profit and non-profit plans are required by state laws and insurance regulators to allocate a portion of their premiums to support their surplus reserves to minimize the down periods of the

underwriting cycle. Health plans face major financial difficulties when they must simultaneously meet strict medical expense threshold requirements and rebuild their state-mandated surplus levels after periods of sustained losses.

We respectfully request that the committee hold this measure. Thank you for the opportunity to testify in opposition to House Bill 2089, House Draft 1, Relating to Health Insurance.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Robert Herkes, Chair

HOUSE COMMITTEE ON JUDICIARY
Rep. Jon Riki Karamatsu, Chair

Conference Room 325
Feb. 18, 2010 at 2:00 p.m.

Opposing Sections 3 and 5 of HB 2089 HD 1:

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. We support the intent of Sections 3 and 5 of HB 2089 HD 1, which requires the Insurance Division to collect, analyze, and disseminate data from health care providers. However, we oppose these sections of the bill because of the ongoing efforts to accomplish the same goals.

Health care providers are aware that consumers want more information about the quality of health care. In recent years, much more information about quality has been made readily available to the public. For example, the Hospital Compare website created by the Centers for Medicare and Medicaid Services (CMS) contains detailed information about how individual hospitals throughout the nation, including Hawaii, compare with each other in treating numerous medical conditions. The Nursing Home Compare website contains information relevant to nursing homes.

Health care providers in Hawaii are doing more. The Healthcare Association recently created a committee that will address issues related to quality and patient safety issues faced by the broad range of providers represented by its members. The Patient Safety and Quality Committee is comprised of quality officers of the members of the Association. These individuals have formal training in, and access to, the most recent information issued by CMS and other national organizations regarding quality and patient safety. We believe that the expertise contained in and the recommendations that flow from this group should be a resource to the Legislature.

The stated purpose of the Committee is to formulate and implement strategies for organizations that belong to the Healthcare Association to collaborate in improving healthcare safety and quality for the citizens of Hawaii. As stated previously, all of Hawaii's hospitals are members of the Healthcare Association, as well as long term care organizations, home care agencies, and hospices.

The Patient Safety and Quality Committee reports directly to the Association's Board of Directors. We would be glad to arrange for the committee to report regularly to the Legislature on its progress.

For the foregoing reasons, the Healthcare Association opposes Sections 3 and 5 of HB 2089 HD 1.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 18, 2010

The Honorable Robert Herkes, Chair
The Honorable Jon Riki Karamatsu, Chair
House Committees on Consumer Protection and Commerce and Judiciary

Re: HB 2089 HD1 – Relating to Health

Dear Chair Herkes, Chair Karamatsu and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2089 HD1 which would increase premium transparency and create a health information data clearinghouse. HMSA supports the intent of this measure and appreciates the changes made by the previous Committee but would like to propose additional amendments to make the reporting comprehensive and more meaningful.

HB 2089 HD1, as currently drafted, while more expansive in scope than the original version, is still not broad enough. By only requiring incomplete data be provided, consumers could end up becoming even more confused. It has been said that getting information on the cost or quality of the health care we receive is near impossible. When data comparing hospitals and physicians can be found, it is often incomprehensible, fragmented or difficult to understand. Also it's often not specific enough to help consumers in making critical personal decisions about their health care. And despite Hawaii being a small island state, this problem is as true here as anywhere else.

We believe that in order to initiate meaningful reform throughout the system, transparency needs to be a shared goal of all stakeholders in our health care system and that change is necessary to require transparency on the price and quality of health care. Consumers need to know what services will cost, their providers experience in relation to their medical needs, and how Hawaii's doctors and hospitals perform against accepted quality measures. In addition, Hawaii's consumers need to take up the challenge to use meaningful health care information to become more skilled and knowledgeable about their own care. This can only be accomplished through full and complete transparency within the system.

For your review, we have included additional amendments (attached) to be made to this measure to ensure the adequacy of transparency reporting. The amendments being proposed would begin on page 13, line 11 and remove entirely the current language on page 13, lines 11-18. The language following this section in regards to patient level data utilization (beginning on line 19) would remain intact as would the rest of the measure.

We believe that this new language not only accomplishes the original goal of the legislation but expands on it to incorporate data sharing with the public from all stakeholders in the health care system.

We hope that you see fit to include these changes in HB 2089 HD1.

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
Vice President
Government Relations

(c) Subject to this section, the division shall collect from hospitals and ambulatory surgical centers:

- (1) Hospital-specific performance on the measures of care developed for acute myocardial infarction, heart failure, and pneumonia;
- (2) Hospital-specific performance on the public reporting measures for hospital-acquired infections as published by the National Quality Forum; and
- (3) Charge information, including, but not limited to, number of discharges, average length of stay, average charge, average charge per day, and median charge, for each of the 50 most common inpatient diagnosis-related groups and their 25 most common outpatient surgical procedures.

(d) Subject to this section, the division shall collect from health care providers, information on professional charges to include the health care provider's charges for their 25 most frequently performed:

- (1) Clinical procedures;
- (2) Outpatient procedures; and
- (3) Inpatient procedures.

"§ **Health care data reports.** (a) The division shall prepare, and submit to the governor and the legislature standard reports concerning health care providers and insurers that the division prepares and shall collect information necessary for preparation of those reports. The division shall widely publicize and distribute health care data reports electronically to consumers on the division's website.

"§ Uncompensated health care services report. (a) The division shall prepare, and submit to the governor and the legislature an annual report setting forth the number of patients to whom uncompensated health care services were provided by each hospital and the total charges for the uncompensated health care services provided to the patients for the preceding year, together with the number of patients and the total charges that were projected by the hospital for that year in the plan filed under subsection (b). The division shall widely publicize and distribute the uncompensated health care services report electronically to consumers on the division's website.

(b) Every hospital shall file with division an annual plan setting forth the projected number of patients to whom uncompensated health care services will be provided by the hospital and the projected total charges for the uncompensated health care services to be provided to the patients for the ensuing year.

"§ Consumer guide. (a) The division shall prepare and submit to the governor and the legislature an annual guide to assist consumers in selecting health care providers and insurers. The guide shall be written in language that is understandable to laypersons. The division shall widely publicize and distribute the guide electronically to consumers on the division's website.

(b) The division shall prepare and submit to the governor and to the legislature an annual guide to assist consumers in selecting hospitals and ambulatory surgery centers. The guide shall be written in

language that is understandable to laypersons and shall include data derived from the annual survey of hospitals conducted by the American Hospital Association and the annual hospital fiscal survey. The division shall widely publicize and distribute the guide to consumers.



HAWAII MEDICAL ASSOCIATION

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Thursday, February 18, 2010, 2:00 pm, Conference Room 325

To: COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Robert N. Herkes, Chair
Rep. Glenn Wakai, Vice Chair

COMMITTEE ON JUDICIARY
Rep. Jon Riki Karamatsu, Chair
Rep. Ken Ito, Vice Chair

From: Hawaii Medical Association
Gary A. Okamoto, MD, Legislative Co-Chair
Linda Rasmussen, MD, Legislative Co-Chair
April Donahue, Executive Director
Lauren Zirbel, Government Affairs
Dick Botti, Government Affairs

Re: HB2089 RELATING TO HEALTH INSURANCE

In Support if Amended

Chairs & Committee Members:

Hawaii Medical Association supports HB2089 Relating to Health Insurance, only with the deletion of the newly added Part II, "Health Care System Transparency". Part II of HB2089 is overly broad and layers a new and burdensome administrative requirement on the Department of Commerce and Consumer Affairs and Hawaii providers. These costly requirements are unnecessary for the implementation of HB2089 Part I, the "Health Insurance Premium Transparency Act".

The DCCA and the insurance commissioner supported the original form of HB2089, retained in Part I. Part I of this legislation does not establish new burdensome requirements for insurers. Insurers already have the requested information available and currently categorize 90% of the data requested in financials which can be publicly downloaded at the National Association of Insurance Commissioners website.

Furthermore, it is difficult to assess "quality" based only on the information requested in Part II; as such those provisions may only encourage physicians to take low-risk, young and healthy patients that result in better "outcomes" as assessed under Part II. Other bills introduced this year, which HMA support, more coherently address the topic of provider quality. There is no need to insert these issues into a bill that is "RELATING TO HEALTH INSURANCE". It is also difficult to understand the logic behind placing healthcare provider quality measures inside the insurance division.

By deleting amendments made in the health committee that are burdensome and costly for DCCA, hospitals and providers and passing the original form of this bill, you will help encourage more streamlined health plans and ensure that the money people spend on health care is actually going to health care, as opposed to health plan administration.

OFFICERS

President - Robert Marvit, MD President-Elect - Morris Mitsunaga, MD Secretary - Thomas Kosasa, MD
Immediate Past President - Gary Okamoto, MD Treasurer - Stephen Kemble, MD Executive Director - April Donahue

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Part I standardizes health plan reporting, fills in the gaps of current reporting, and makes for useful information and its availability to the public. As a result of Part I, our community will have a more accurate picture of how much of their health plan premium goes to clinical providers for direct patient care. It is anticipated that such transparency will improve the accountability of health plans to purchasers – patients and employers – of health insurance.

Enacting premium transparency would clearly show the amount of money that health insurers spend on patient care versus administrative expenses and profit. A medical loss ratio further encourages insurers to spend more on direct medical benefits and a regulated amount on a detailed list of administrative costs. This could lead to more money from premiums being spent on medical care, and more value to the consumer and employer.

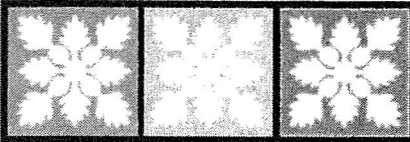
It is critical that employers and consumers have access to a clear understanding of how insurers allocate healthcare premiums. Currently, there is a lack of detailed, consistent, easily accessible information that shows exactly how consumer premium dollars are spent specifically on healthcare services. Cost and payment data should be available and more accessible to patients and employers to enable them to make informed, objective decisions about their health care.

Full transparency of how health insurance premiums are spent will eventually reward insurers that minimize administrative waste. Mandated premium transparency is also essential in order to maximize the value of the healthcare dollar. This is an important step toward controlling spiraling healthcare costs, which are due, in part, to the dramatic rise in premium rates and administrative costs.

The rapidly rising cost of health care and healthcare administration is crippling businesses, forcing layoffs and reductions in pay. It is important that businesses and healthcare consumers have access to all information that will help them decide how to spend their health dollars, especially considering that businesses are mandated to spend money on health insurance and the money they spend is for the purpose of health care not healthcare administration.

We strongly urge the committee to preserve HB2089 Part I and remove Part II, which lacks merit.

Thank you for your consideration and the opportunity to testify.



Hawaii Association of Health Plans

February 18, 2010

The Honorable Robert Herkes, Chair
The Honorable Jon Riki Karamatsu, Chair
House Committees on Consumer Protection and Commerce and Judiciary

Re: HB 2089 HD1 – Relating to Health

Dear Chair Herkes, Chair Karamatsu and Members of the Committees:

My name is Howard Lee 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	MDX Hawai‘i
Hawaii Medical Assurance Association	University Health Alliance
HMSA	UnitedHealthcare
Hawaii-Western Management Group, Inc.	

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 2089 HD1 which would require health plans report certain cost information to the Insurance Commissioner in the spirit of transparency and require some additional reporting requirements from other stakeholders in the health care system. We appreciate the intent of this measure since we believe that transparency should be a system-wide goal.

It is important to realize that while health plans are a major part of the healthcare system we represent only a small portion of health care dollars. The majority of the dollars within the system itself are spread out between facilities, physicians, clinical laboratories, pharmaceutical drugs, and diagnostic services. Despite this, there are no true valuable resources for consumers to perform comparative searches on the services they are receiving whether it be from a cost or quality perspective. For these reasons we would respectfully request the Committee see fit to expand the scope of this measure to include the rest of the health care system within its reporting purview.

Thank you for the opportunity to testify today.

Sincerely,

Howard Lee
President

wakai2-Daniel

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 17, 2010 3:54 PM
To: CPCtestimony
Cc: jillf2184@yahoo.com
Subject: Testimony for HB2089 on 2/18/2010 2:00:00 PM

Testimony for CPC/JUD 2/18/2010 2:00:00 PM HB2089

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Jill Friedman
Organization: Individual
Address:
Phone:
E-mail: jillf2184@yahoo.com
Submitted on: 2/17/2010

Comments:

wakai2-Daniel

From: hedgesew@comcast.net
Sent: Tuesday, February 16, 2010 8:01 PM
To: CPCtestimony
Subject: HB 2089

Rep. Robert N. Herkes and Rep. Glenn Wakai (Committee on Consumer Protection & Commerce) and Jon Riki Karamatsu and Rep. Ken Ito (Committee on Judiciary),

Speaking as a private citizen and licensed physician in Hawaii, I wish to extend my support for HB2089 Relating to Health Insurance, "The Health Insurance Premium Transparency Act", if amended to delete the newly added Part II, "Health Care System Transparency". While I am supportive of the concept of system-wide transparency, Part II is overly broad and creates a new and burdensome requirement for the Department of Commerce and Consumer Affairs, as well as, providers without creating a means to track healthcare costs and quality.

Part I of the legislation standardizes health insurer reporting, fills in the gaps in the current reporting system, and makes this information more available to the public. The increased transparency in Part I will help patients and employers make more informed objective decisions about their health insurance plans. By passing Part I and deleting Part II you will help encourage health plans to minimize administrative expenses and ensure that the majority of health care premium dollars goes to health care.

Thank you for the opportunity to testify.

Jerris Hedges, MD