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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. 171 – RELATING TO THE PATIENTS’ BILL OF RIGHTS

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 this bill but notes some issues for the consideration of the Committees.

This bill deems certain practices by health insurers to be unfair. For example, it prohibits post-claims underwriting so that insureds are not disenfranchised at the time when they become sick or injured. The bill also asks that the health plans stick to prior authorization decisions and not change their minds after reliance by the doctor and patient. The bill also prevents unreasonably low reimbursements when the patient sees a nonparticipating provider. We view these changes as protective of consumers’ rights, but also the kinds of things that a health plan should not have undue objection to because they are clearly unreasonable and unfair practices that no health plan should be engaged in.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

LATE

February 23, 2009

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

Senate Committees on Health and Commerce and Consumer Protection

Re: SB 171 – Relating to the Patients’ Bill of Rights

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 171.

This measure is similar to others introduced by the Insurance Division both last year and this. When HMSA provided testimony on those measures in 2008, we stated that HMSA did not engage in any of the practices included in SB 171. This would be true again this session except for some small additions to the measure which would make drastic changes to the way that individual plans are currently administered in the State.

Although the language in this measure would only seem to protect consumers against deceptive business practices perpetuated by a health plan, SB 171 could eventually prevent HMSA from offering individual plan coverage at all. An addition of the word “denying” on page 1, line 8 would prevent health plans from using current underwriting practices for individual plans and Section 2 would cap premium rates for these plans as well. We have serious concerns with this language.

Due to the Prepaid Health Care Act which mandates that employers provide coverage for all of their full-time employees, individuals in the pool range from those who rarely access services to those who are heavy utilizers. This range stabilizes rates for all the members in the plan. Unfortunately since those who purchase individual plans are not mandated to do so, typically only those most in need of coverage opt to purchase it. To mitigate this, HMSA’s individual plans are medically underwritten to help contain costs. Preventing a plan from engaging in this practice would drive rates up so high as to be prohibitively expensive for anyone. This is the scenario that would occur if not for the addition of a sentence in SB 171 preventing individual plan premium rates to be more than “200% of the standard group rate.”

This sentence would prevent plans from raising rates to account for the additional cost that removing medical underwriting would have. Under this scenario it is very likely that in a short amount of time, HMSA would no longer be able to offer individual plans to anyone because the capped premium rate would not cover the cost of the plan. We do not believe that it is the legislature’s intent to reduce health care options for individuals in the state.

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Therefore we would respectfully request the removal of the word “denying” from page 1, line 8 and the removal of Section 2 in its entirety (page 4, lines 3-9) to bring the bill’s language back to its original intent.

Thank you for the opportunity to provide testimony 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