

**SB 2008**

**HTH/CPN**



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](http://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 2010

Tuesday, February 9, 2010  
9:00 a.m.

**TESTIMONY ON SENATE BILL NO. 2008 – RELATING TO THE FAIR ACCESS TO  
MEDICAL CARE ACT.**

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, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department strongly opposes this bill.

Although the Department generally supports the intention behind the bill of finding a way to make sure that health care reimbursements by insurers allow for quality of care and access to care, we do not think the mechanism proposed in the bill is a practical way of doing it.

Premium rate regulation is focused on the financing of healthcare and the health rate premium filings that are currently made disclose aggregate claims and administrative costs, but tell us nothing about medical procedure reimbursements. The reason is because the premium rate concerns the revenue side and the healthcare reimbursement issue concerns the spending side. They are completely separate issues and because of that it makes no practical sense to handle them as if they were part of

the same package. Adding a public panel subject to the Sunshine Law to the rate oversight process which is run by the Insurance Commissioner will make it far too procedurally complex and burdensome to process rate filings in a timely fashion, particularly given the current tight 60 day review deadline. If there is to be a panel focusing on health care reimbursements, it should be completely separate from the premium rate oversight process run by the Insurance Commissioner. We suspect that focusing on the reimbursement side will be a very complex and slow process requiring close evaluation of a large amount of very detailed data. It may be a worthy endeavor, but it is procedurally incompatible with the premium rate oversight process.

We note that if the Legislature wishes to focus on the question of whether an appropriate amount of premium is being spent on healthcare costs as opposed to overhead, it may wish to revisit Hawaii Revised Statutes section 432:1-305(c), which allows a mutual benefit society that is acting as health insurer to run up administrative costs of up to 35 percent of premium revenue. Although that statute may have been intended to limit administrative costs, it can be used by some insurers as a shield that allows them to run the administrative costs up to that level. Dealing with individual medical procedure reimbursement is one piece of the puzzle, but focusing on the aggregate medical loss ratio is another piece. There are many separate medical procedure reimbursements, numbering in the tens of thousands.

The amendment to the current rate oversight regime on page 15 of the bill which requires review of reimbursement issues is not likely to be workable given that in rate filings reimbursement issues are dealt with on an aggregate basis, not on a per procedure basis.

The statement on page 10 of the bill that "No entity shall reduce the rate of reimbursement to a provider solely for the purpose of realizing a higher rate of return to the entity" may not be enforceable as a practical matter. It will not be difficult for a health insurer to proffer reasons other than profit for adjustment to provider reimbursements. The Committees should consider what proof could justify enforcement under this language.

It is possible that the volume of additional work contemplated for the proposed health care treatment advisory panel will require additional full time dedicated staff and consideration should be given to providing that support if the bill moves forward.

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

Testimony of  
John M. Kirimitsu  
Legal and Government Relations Consultant

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

and

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

February 9, 2010  
9:00 am  
Conference Room 229

**Re: SB 2008 Relating to the Fair Access to Medical Care Act**

Chairs, Vice Chairs and committee members, thank you for this opportunity to provide testimony on this bill relating to the Fair Access to Medical Care Act.

**Kaiser Permanente would like to offer comments on this bill.**

As the State's largest health maintenance organization, Kaiser Permanente is a unique integrated managed care organization in Hawaii, comprising of three distinct entities – the health plan, the hospital, and the medical group.

Accordingly, Kaiser Permanente offers a unique perspective to Hawaii's health insurance needs, as compared to traditional fee-for-service or preferred provider organization plans, and therefore, Kaiser Permanente believes that it is in the best interest of consumers to have its unique integrated managed care model represented on the proposed fifteen member advisory panel.

This advisory board already includes a representative from the state's hospital system, as well as a representative from the essential community providers. Therefore, it naturally follows that the public's interest in Hawaii's unique and largest integrated managed care model should likewise be represented on this advisory panel by selecting a representative from Kaiser Permanente.

Thank you for your consideration.