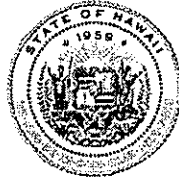


SB 2271



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

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LAWRENCE M. REIFURTH
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TO THE SENATE COMMITTEE ON HEALTH

TWENTY-FIFTH LEGISLATURE
Regular Session of 2010

Friday, January 29, 2010
2:45 p.m.

TESTIMONY ON SENATE BILL NO. 2271 – RELATING TO HEALTH INSURANCE PREMIUMS.

TO THE HONORABLE DAVID Y. IGE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is J.P. Schmidt, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department supports this bill.

This bill limits the percentage of health insurance premiums that can be spent on administrative costs. This will help to make sure that health care expenses are properly funded, which may positively impact both quality of care and access to care. This bill also requires transparency reporting on the spending of health insurance premiums. Although some of this information is repetitive of information the Insurance Division already gets, some of it is not and it will be a public document which will help transparency. Transparency not only can help consumers criticize insurer spending; it can also help them understand that insurer spending may be justified and reasonable.

If this bill is to move forward, an amendment to existing law should be inserted. Hawaii Revised Statutes section 432:1-305(c) allows a mutual benefit society that is providing health insurance to have administrative costs of up to 35 percent, which conflicts with the lower limits in the bill.

DCCA Testimony of J.P. Schmidt
S.B. No. 2271
Page 2

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

January 29, 2010

The Honorable David Ige, Chair
The Honorable Josh Green M.D., Vice Chair

Senate Committee on Health

Re: SB 2271 – Relating to Health Insurance Premiums

Dear Chair Ige, Vice Chair Green and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2271 which would require health plans provide cost information to the Insurance Commissioner in an attempt to increase transparency within the health care system. HMSA supports the intent of this measure but would like to propose some changes that would make the reporting broader and more comprehensive.

Health plans are already highly regulated, frequently audited and required to report to the Insurance Commissioner much of the information described within the measure, making it redundant and administratively burdensome. While we appreciate the intent behind SB 2271 since it takes a small step towards what needs to be accomplished in Hawaii in order to create real change to the health care system, it does not go far enough.

At HMSA, for every dollar paid in member dues, an average of 93 cents is paid to health care providers with only 7 cents going to pay for our administrative costs. This means that SB 2271 does not require transparency for the other 93 cents of costs included in the premium dollar. We believe that we can do better and that transparency will require the participation of all stakeholders within the system, not just health plans.

SB 2271, as currently drafted, is targeted at only one piece of the health care system. This is not only shortsighted but by requiring that only incomplete data be provided, could end up causing even more confusion for consumers. 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 instead of the incomplete language contained in SB 2271. Change is necessary and requiring transparency on the price and quality of health care is vital if the system is to work.

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 other words, Hawaii's health care providers need to "come out of the closet" when it comes to the price and quality of the care they deliver. And Hawaii's consumers need to take up the challenge to use that information in becoming a more skilled and knowledgeable partner in their own care. This can only be accomplished through full and complete transparency within the system.

We understand that this is a big challenge, but believe there is much that can be done to promote transparency, the first step being proposing major changes to SB 2271. Health care reform, if it is to be meaningful, needs to accomplish long term gain which usually does not happen without short term pain. We believe that the time is now and we need to start here.

For your review, we have included amendments (attached) to SB 2271 which would be inserted beginning on page 11, line 1 through page 17, line 8. 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 SB 2271.

Thank you for the opportunity to testify today.

Sincerely,



Jennifer Diesman
Vice President
Government Relations

Section 2. Chapter _____, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§ _____ - There is established a data clearinghouse for the state of Hawaii administratively located within the insurance division of the department of commerce and consumer affairs.

For the purposes of this section:

"Ambulatory surgery center" has the meaning given under 42 CFR 416.2.

"Data clearinghouse" means a public health authority administratively located in the insurance division within the department of commerce and consumer affairs which does all of the following:

(a) Represents health care consumers, insurers, administrators, and health care providers.

(b) Is formed specifically to do all of the following:

(1) Create a centralized repository for the state with credible and useful data elements for the purposes of quality improvement, health care provider performance comparisons, ready understandability, and consumer decision making; and

(2) Use the information it collects to develop, disseminate and make electronically available, unified public reports at least annually on health care quality, safety, and efficiency. This is necessary to foster the cooperation of the separate industry forces in order to meet the needs of the people of Hawaii and improve the appropriate usage of health care services.

"Data element" means an item of information from a uniform patient billing form.

"Division" means the insurance division within the department of commerce and consumer affairs.

"Health care provider" means a physician licensed pursuant to §453, an osteopath licensed pursuant to §460, a dentist licensed pursuant to §448, a naturopathic physician licensed pursuant to §455, a podiatrist licensed pursuant to §463E, an advanced practice nurse practitioner licensed pursuant to §457, a physician assistant licensed pursuant to §453, a pharmacist licensed pursuant to §461, a chiropractor licensed pursuant to §442 and includes ambulatory surgery centers and hospitals.

"Hospital" means any institution with an organized medical staff which admits patients for inpatient care, diagnosis, observation, and treatment.

"Insurer" means a health plan as defined in section 431:10A, or chapter 432 or 432D, regardless of form, offered or administered by a health care insurer, including but not limited to a mutual benefit society or health maintenance organization, or voluntary employee beneficiary associations.

"Patient" means a person who receives health care services from a health care provider.

§ - Collection and dissemination of health care and related information. (a) In order to provide to health care providers, insurers, consumers, governmental agencies and others, information concerning health care in the state, and in order to provide information to assist in peer review for the purpose of quality assurance:

(1) Subject to this section, the division shall collect from health care providers, analyze, and disseminate health care information, as

adjusted for case mix and severity, in language that is understandable to laypersons.

(b) Subject to this section the division may request health care claims information from insurers and administrators. The division shall analyze and publicly report the health care claims information with respect to the cost, quality, and effectiveness of health care, in language that is understandable by lay persons, and shall develop and maintain a centralized data repository. The division may request health care claims information, which may be voluntarily provided by insurers and administrators, and may perform or contract for the performance of the other duties specified under this paragraph.

(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.

"§ Patient-level data utilization, charge, and quality report.

(a) The division shall prepare and submit to the legislature an annual report that summarizes utilization, charges, and quality data on patients treated by hospitals and ambulatory surgery centers during the most recent calendar year. The division shall widely publicize and distribute the patient level data utilization, charges and quality report electronically to consumers on the division's website.

The insurance commissioner shall, pursuant to chapter 91, promulgate rules and regulations necessary to administer this section.

Friday, January 29, 2010, 2:45 p.m., Conference Room 016

To: Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, M.D., 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: SB2271 RELATING TO HEALTH INSURANCE PREMIUMS

In Support

Chairs & Committee Members:

Hawaii Medical Association strongly supports SB2271 Relating to Health Insurance Premiums. This measure would increase transparency and create more standardized reporting of how insurance premiums are allocated to health care services as opposed to other purposes. As a result, the legislation could encourage the health insurance system to be more efficient and more accountable to patients, employers and providers.

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 health care premiums. Currently, there is a lack of detailed, consistent, publicly available information that shows exactly how consumer premium dollars are spent specifically on health care services. The growth of the consumer-directed health care market has significantly contributed toward the importance of premium transparency. Cost and payment data should be available and easily 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 health care dollar. This is an important step toward controlling spiraling health care costs, which are due, in part, to the dramatic rise in premium rates and administrative costs. This bill will enumerate specific administrative costs in a clear and standardized fashion. This data will become public record.

The rapidly rising cost of health care and health care 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.

Thank you for your consideration and the opportunity to testify.

OFFICERS

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January 29, 2010

The Honorable David Ige, Chair
The Honorable Josh Green M.D., Vice Chair

Senate Committee on Health

Re: SB 2271 – Relating to Health Insurance Premiums

Dear Chair Ige, Vice Chair Green and Members of the Committee:

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 in opposition to SB 2271 in its current form, which would require health plans report certain cost information to the Insurance Commissioner in the spirit of transparency. While we appreciate the intent behind this measure we believe that transparency should be a system-wide goal and not one specifically focused on health plans.

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. We believe that until transparency is applied equally across the system, piecemeal attempts such as those contained in SB 2271 will fail to facilitate real reform within the system.

For the reasons above we would respectfully request the Committee see fit to hold this measure or consider adding language to expand its scope to include the rest of the health care system within its reporting purview.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink that reads "Howard Lee". The signature is written in a cursive style with a long, sweeping underline.

Howard Lee
President

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Senate COMMITTEE ON HEALTH

Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

DATE: Friday, January 29, 2010
TIME: 2:45 pm
Conference Room 016 State Capitol

Testimony for SB 2211 RELATING TO HEALTHCARE And
Testimony for SB 2271 RELATING TO HEALTH INSURANCE PREMIUMS

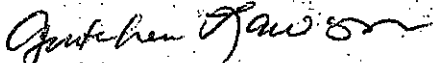
Good Morning Senator Ige and Senator Green:

My name is Gretchen Lawson and I am the President/CEO of /the Arc of Kona, a private, charitable, not-for-profit organization on the big island supporting people with disabilities. I am in support of SB 2211 which transitions the Hawaii Health Systems Corporation to federal and state nonprofit status and makes appropriation for general obligation bonds for the repair and maintenance of facilities and transition expenses. It is vitally important that our health care systems are allowed to operate independently and be free from the undo restrictions and regulations that keep their expenses too high to maintain services. By allowing them non-profit status, they can compete for grants and donations to help meet the needs of their communities. Please approve this measure and pass it out of committee with recommendation for approval.

I am also in favor of SB 2271 RELATING TO HEALTH INSURANCE PREMIUMS. This measure would increase health insurance premium transparency and require a minimum amount of premiums to be spent on medical expenses. I think we all agree that the health insurance industry has a large responsibility for the crisis that health care finds itself in this era. By demanding more transparency surrounding the receipt of revenue derived from premiums and insisting that a certain percentage go towards medical costs a great part of the problem will be addressed.

Thank you for taking positive action in regards to these 2 bills.

Sincerely,


Gretchen Lawson
President/CEO

United Way 

carf
Commission on Accreditation
of Rehabilitation Facilities

The
ARC of Kona

www.arcofkona.org

"Expanding the Possibilities"
"Ho'o Nui Ka Hiki"

Senate Committee on Health hearing on SB2271
Friday, January 29, 2010, 2:45 p.m., Conference Room 016, State Capitol

Senator Ige and members of the Senate Health Committee, my name is Judy Canon Ott and I am the chairperson of the Healthcare Committee for Faith Action for Community Equity (FACE).

Before I comment on SB2271, FACE would like to thank you for the passage of HB1525 at the last session of the Legislature and the override of the Governor's veto in Special Session. The law now requires more transparency of health insurers who bid and contract with our State for service to Medicaid recipients.

FACE supports the intent of SB2271 to require all health insurers to be more transparent. Healthcare insurance premiums are continuing to rise many times faster than our cost of living and is definitely affecting everyone including our small businesses. Even with the rising cost of premiums healthcare providers including hospitals and doctors are asking for more money. It is important for us to know how our premium dollars are being spent.

We realize that healthcare cost is affected by many factors. Since SB2271 relates to insurance companies we would suggest, not necessarily through this bill, that the legislature look at requiring more transparency of insurance companies that provide malpractice insurance to doctors and other service providers and see how their premium dollars are being spent.

We were outraged to hear that some health insurers were making record profits or incomes in 2008 and 2009 when our economy was in a recession and CEOs and other executives were getting hefty salaries and bonuses. We're also concerned when they get big salaries and bonuses even when the company may be losing money.

We hope with more transparency of insurers which SB2271 calls for, that the public and all of us as consumers will have the information to see where all of our premium dollars are going.

Thank you for letting me testify and again FACE supports the intent of SB2271.