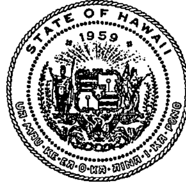
SB 940

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Committee on Health
Senate Committee on Commerce and Consumer Protection

SB 940, RELATING TO INSURANCE

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

February 23, 2009

1 **Department's Position:** The Department of Health strongly supports this Administration bill.

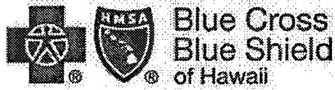
2 **Fiscal Implications:** Should result in an increase in revenue to the State.

3 **Purpose and Justification:** The State is responsible for providing 911 ambulance services statewide
4 through contracts for services in each of the counties. It also bills and collects for ambulance services
5 provided to patients statewide with revenues deposited into the general fund. As these emergency
6 services are funded by Hawaii's taxpayers, the Department of Health believes there should be a level
7 playing field for all citizens regarding commercial third party reimbursement for these critical services.
8 It is also generally accepted practice even among managed care insurance plans that when there is a sole
9 source provider of a critical service, payment for these services is made directly to the provider, whether
10 or not there is a contract in place.

11 While most health insurers in Hawaii abide by these practices, not all do. Direct payment to the
12 State of the insurance plan benefit for ambulance services results in improved collections at lower costs,
13 and simplifies matters particularly for elderly consumers who are often confused when they receive the
14 insurance check in the mail, cash it and use it for other purposes. Pursuing payment in these situations
15 causes unnecessary delays, costs of collection for the State, and often frustration for our citizens.

16 This measure amends the state insurance statutes to require all accident and health or sickness

1 insurers that offer coverage for ambulance service to provide direct payment to the State for pre-hospital
2 ambulance treatment and transport services.
3 Thank you for the opportunity to testify on this important measure.



Blue Cross
Blue Shield
of Hawaii

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 940 – Relating to Insurance

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in opposition to SB 940.

In June 2008, the Department of Health (DOH) canceled contracts it had with all the health plans in the state for the provision of ambulance services. Health plans, such as HMSA, had negotiated their own rates for years but DOH determined that since these contracted rates varied between plans that they would no longer contract with anyone to provide these services. The result of this action was to increase the cost of transporting HMSA's members to both the plan and the member.

Once DOH made the business decision to become a non-participating provider with HMSA, they no longer were entitled to the benefits that being a contracted provider brings. This includes how payment is made to DOH once a claim for ambulance services has been received. Our entire health care system is based on an agreement between the health plan and the provider. In the agreement, the provider agrees to accept the plan's eligible charge as payment in full (i.e. the provider agrees not to charge our members any more than the eligible charge, also known as balance billing) and the plan agrees to pay the provider directly as well as list the provider in its marketing materials. With DOH's decision to become non-participating with HMSA, just as any other non-participating provider, HMSA no longer pays them directly.

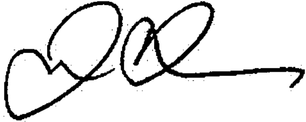
We would also note that although HMSA is not directly reimbursing DOH for the claims submitted on behalf of our members, the decision was made to continue to provide reimbursement to DOH at the participating provider eligible charge rate. This decision was made in an effort to protect our members from having to pay increased out-of-pocket expenses. This is being done since as a non-participating provider DOH would only be entitled to the lesser non-participating eligible charge and would then bill our members for the balance. By providing the participating eligible charge as payment, our members are experiencing less out-of-pocket expense.

Additionally, we do not believe that the legislative process should be used for this purpose since choosing to terminate all contracts with the health plans in the state was a business decision made by DOH.

Hawaii Medical Service Association | 818 Keeaumoku St.• P.O. Box 860 Honolulu, HI 96808-0860 | (808) 948-5110 | Branch offices located on Hawaii, Kauai and Maui | Internet address www.HMSA.com

For the reasons mentioned above, we would respectfully urge the Committees to hold SB 940. Thank you for the opportunity to provide testimony today.

Sincerely,



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February 19, 2009

Honorable David Y. Ige, Chair
Honorable Josh Green, M.D., Vice Chair
Committee on Health
Honorable Rosalyn H. Baker, Chair
Honorable David Y. Ige, Vice-Chair
Committee on Commerce and Consumer Protection
Senate
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: S.B. No. 940 RELATING TO INSURANCE

Dear Chairs Ige and Baker, Vice Chair Green, and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written testimony with respect to Senate Bill No. 940, relating to insurance, which is to be jointly heard by your Committees on Health and on Commerce and Consumer Protection on February 23, 2009.

S.B. No. 940 is intended to require direct payment to the State for provision of pre-hospital ambulance treatment and transport services. However, there are certain types of supplementary or limited benefit insurance, for example, covering only accidental injuries, hospital stays or specific diseases, for which it would not be appropriate to require such direct payment.

Specifically, AFLAC offers limited benefit policies which include an ambulance benefit, but such benefit is a supplemental amount that is intended to assist the insured with the costs related to receiving services or treatment, rather than to reimburse the insured for the costs of the services or treatment itself, which are covered by the insured's primary health insurance. These limited benefit insurance policies provide benefits directly to the insured, based on specific occurrences of treatment (or disease), without regard to the cost to the insured, *i.e.*, are not reimbursement policies.

Because the benefits under such policies always are paid to the insured, regardless of the cost of treatment, and such benefits are supplemental to the insured's primary health insurance, requiring direct payment to the State would not be appropriate and would be contrary to the purpose of the consumer in purchasing the policy.

For the foregoing reasons, we support the amendment of subsection (a) of the new section to be added to HRS chapter 431:10A by section 2 of H.B. No. 940 to delete from its coverage "limited benefit insurance" by adding the following, which is based upon the language currently contained in Hawaii Revised Statutes section 431:10A-121:

> "**§431:10A- Direct payment for pre-hospital ambulance treatment and transport services.** (a) Any accident and health or sickness insurer that offers coverage for pre-hospital ambulance treatment and transport services, other than an accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policy, shall provide for direct payment to the State for provision of pre-hospital ambulance treatment and transport services."

(Additional language underscored.)

The proposed exception is based upon similar exceptions in mandated coverage for limited benefit health insurance policies. *See, e.g.*, HRS § 431:10A-121 ("Each policy of accident and health or sickness insurance providing coverage for health care, other than an accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policy, that is issued or renewed in this State, shall provide coverage for outpatient diabetes self-management training, education, equipment, and supplies . . . ").

Thank you for your consideration of the foregoing.

Very truly yours,

McCORRISTON MILLER MUKAI MACKINNON LLP

Peter J. Hamasaki

PJH:fk