NEIL ABERCROMBIE
GOVERNOR

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TO THE SENATE COMMITTEE ON HEALTH

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Wednesday, February 16, 2011
2:45 p.m.

WRITTEN TESTIMONY ONLY

TESTIMONY ON SENATE BILL NO. 792 - RELATING TO HEALTH CARE PAYMENTS

TO THE HONORABLE JOSH GREEN, M.D. AND MEMBERS OF THE COMMITTEE:

My name is Gordon I. Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").

The Department takes no position on this measure, which requires payments by a health plan directly to a nonparticipating provider. We offer the following comments:

Direct payment is one of the benefits of being a participating provider. Giving that benefit to nonparticipating providers might create an incentive for more physicians to become nonparticipating providers. If that happens, we could see more people exposed to large doctor balance billing.

We thank the Committee for the opportunity to provide testimony.

The Twenty-Sixth Legislature
Regular Session of 2011

THE SENATE
Committee on Health
Senator Josh Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair

State Capitol, Conference Room 229
Wednesday, February 16, 2011; 2:45 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 792
RELATING TO HEALTH CARE PAYMENTS

The ILWU Local 142 opposes S.B. 792, which requires insurers, mutual benefit societies, and health maintenance organizations to pay health care providers directly regardless of the health care provider's participatory status with the insurer, mutual benefit society, or health maintenance organization. As a labor union that represents some 20,000 members statewide, we are very concerned about the increased costs that would be shifted to our members.

Participating providers enter into contracts with health plans to charge no more than a set amount for a particular service. These participating providers are prohibited from charging the patient anything more than the set amount, often called an eligible charge. This allows the patient a sense of certainty or predictability about the fees to which he may be assessed for the service and a reasonableness to the charge that the plan negotiates. In return for this concession, the participating provider is assured of payment directly from the health plan and needs to collect from the patient only the copayment, if any, that would apply to that service. The terms under which the provider participates with the plan are through a private contract that spells out the advantages and conditions for participation.

On the other hand, a nonparticipating provider may charge the patient more than the eligible charge, but under current rules, the nonparticipating provider must collect from the patient the entire cost of the service. The patient must then request reimbursement from the health plan for the amount eligible to be paid by the plan for the service (i.e., eligible charge less copayment). Nonparticipating providers normally request patients to sign an agreement to pay but may run into difficulty collecting, which may have prompted this bill.

S.B. 792 appears to give the nonparticipating provider the benefits of participating (i.e., direct payment from the plan) without requiring the conditions (i.e., setting a ceiling, or eligible charge, for each service). There would thus be little or no incentive for providers to consider participating with a health plan and may increase the number of nonparticipating providers. If that should happen, patients will find themselves having to pay more for the same services provided by participating providers--or being forced to switch to one of an ever-decreasing number of participating providers. In addition, health plans are likely to increase their premium costs, which will impact the employer's bottom line and ability to provide benefits and wages that workers currently enjoy.

The ILWU urges that S.B. 792 be held. Thank you for considering our testimony.

HAWAII MEDICAL ASSOCIATION
1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

Wednesday, February 16, 2011 2:45 p.m. Conference Room 229

To: COMMITTEE ON HEALTH
Senator Josh Green, M.D., Chair
Senator Clarence K. Nishihara, Vice Chair

From: Hawaii Medical Association
Dr. Morris Mitsunaga, MD, President
Linda Rasmussen, MD, Legislative Co-Chair
Dr. Joseph Zobian, MD, Legislative Co-Chair
Dr. Christopher Flanders, DO, Executive Director
Lauren Zirbel, Community and Government Relations

Re: SB 792 Relating to Health Care Payments

In Support

Chairs & Committee Members:

The Hawaii Medical Association strongly supports SB 792, which will allow medical services providers, including physicians, to receive payment directly from health insurers, health maintenance organizations, and mutual benefit societies, rather than attempting to collect from the patient when the providers does not have a contract with the insurer.

Patients do not know how to handle claims; the current process often confuses them.

Many times patients forget to pass along their claims to physicians. Physicians often do not have the resources to track down payment from these individuals resulting in non-payment for the services they have provided. This situation can be easily avoided. Many states allow providers the common sense benefit of being paid directly for their services as opposed the current roundabout system for non-participating providers.

In combination, Hawaii's high medical malpractice insurance premiums, high cost of living and low physician reimbursements had made it difficult to recruit and retain an adequate physician workforce.

We support direct payment legislation for the following reasons:

• Currently, health care insurers make payment to network providers only. This gives physicians little choice but to contract with Hawaii's dominant health plan and accept contractual conditions with little leverage for negotiation.

• Benefits to consumers include:

1. Increased consumer choice - Patients will have the ability to choose physicians whether they have a contract with the insurer or not;
2. Informed Consumers -- Patients will become much more aware of how much health services cost.

• The incentive to physicians to remain in-network will continue because participating physicians have the competitive advantage of marketing provided by the health plan.
• Health plans will continue to have the ability to review physician claims and they will continue to have the ability to reject requests for reimbursement. Like now, the insurer will have the ability to report suspicious activity to appropriate authorities.

• Direct payment will encourage competitive services and charges.
• Direct payment will not disrupt the Hawaii State Board of Medical Examiners authority to penalize doctors for licensure violations and the Regulated Industries Complaint Office investigation of patient complaints.

Thank you for the opportunity to testify.

Healthcare Association of Hawaii

SENATE COMMITTEE ON HEALTH
Senator Josh Green, M.D., Chair

Conference Room 229
Feb. 16, 2011 at 2:45 p.m.

Supporting SB 792.

The Healthcare Association of Hawaii advocates for 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. Thank you for this opportunity to testify in support of SB 792, which requires health care insurance plans to pay out-of-network providers directly instead of paying the subscriber.

The State's healthcare system is in financial crisis due to low reimbursements and increasing costs. The delay and refusal to make payment directly to non-participating providers may have a significant impact on cash flow for the provider. This is particularly true for high cost emergency services where providers are required by federal law to administer emergency treatment.

This bill furthers the public's interest in maintaining a financially sound healthcare system by requiring insurers, mutual benefit societies, and health maintenance organizations to pay health care providers directly regardless of the health care provider's participatory status with the insurer, mutual benefit society, or health maintenance organization. This bill also ensures that non-participating providers who provide emergency services are paid promptly and directly for the treatment rendered.

Should the committee decline to support SB 792 as it is written, we would urge the committee to consider the assignment of benefits concept and to replace the substance of SB 792 with it. An assignment of benefits law would create a methodology for subscribers, when going out of network, to authorize health plans to pay out-of-network providers directly.

The way it would work is that the out-of-network provider would make available to the subscriber a form that the subscriber may use to authorize the assignment of benefits (payment) to the provider directly. The subscriber would be free to complete the form or not. If the subscriber fills out the form, the provider would submit it and the bill to the health plan.

Thank you for this opportunity to testify in support of SB 792.

HMSA

Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 16, 2011

The Honorable Josh Green M.D., Chair
The Honorable Clarence K. Nishihara, Vice Chair

Senate Committee on Health

Re: SB 792 – Relating to Health Care Payments

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in opposition to SB 792 which would force health plans to provide direct payment to physicians and medical facilities which do not contract as participating providers with the health plan.

On the surface, this bill would seem to simply require a health plan to send a payment check to a different address. The issue is much more complex. SB 792 will ultimately lead to higher consumer costs, fewer consumer choices and decreased quality assurances for Hawaii consumers.

Direct reimbursement strikes at the heart of the contractual relationship between health plans and providers. These contracts are in place to provide members and employers with financial and quality assurances. SB 792 would remove a very important incentive that providers of medical services, physicians and facilities, have to contract with HMSA and participate in our networks.

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. If this bill passes, providers not contracting with HMSA will get the advantages of a contractual relationship (direct reimbursement), but will have none of the obligations to protect our members. Those supporting this measure want the advantages of membership, but won't accept the obligation to protect our members.

Members' Out of Pocket Costs will Increase

Direct reimbursement would remove providers' incentive to maintain contracts with health plans. Without contracts, providers will not be prohibited from charging the patient more than HMSA's eligible charge – and providers will charge more. Without contracts, there is no way to ensure reasonable rates for services. The cost to members will inevitably increase.

Decreased Member Choice
Greater network participation translates into broader choice for consumers. A majority of Hawaii's providers participate in HMSA's network, meaning our members have broad access to care. In states that have enacted similar legislation, consumer choice of qualified providers has been reduced because the law creates a disincentive for providers to maintain their contracts.

Health Care Quality will Decrease
Health plans play a critical role in establishing clear criteria to ensuring high quality health care for all members. Our provider networks give members the assurance that the providers who care for them are credentialed and meet rigorous educational and quality standards. If providers do not contract with HMSA, we will not be able to ensure high quality care for our members.

It is also interesting to note that Section 1 of this bill states that "the purpose of this Act is to further the public's interest" which we believe is patently false. This truly misrepresents what actually would occur if direct reimbursement legislation were approved. While it is true that providers would receive additional money for services rendered, under SB 792 it would come on the backs of Hawaii's consumers. We don't believe that this is the intention of the Legislature. We would respectfully request the Committee see fit to hold this measure today. Thank you for the opportunity to provide testimony.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

green1 - Karen

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 15, 2011 12:39 PM
To: HTHTestimony
Cc: josephpollarddo@yahoo.com
Subject: Testimony for SB792 on 2/16/2011 2:45:00 PM

Testimony for HTH 2/16/2011 2:45:00 PM SB792

Conference room: 229
Testifier position: support
Testifier will be present: No
Submitted by: Joseph Pollard
Organization: Individual
Address:
Phone:
E-mail: josephpollarddo@yahoo.com
Submitted on: 2/15/2011

Comments:

green1 - Karen

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 09, 2011 5:29 PM
To: HTHTestimony
Cc: forecharlee@msn.com
Subject: Testimony for SB792 on 2/16/2011 2:45:00 PM

Testimony for HTH 2/16/2011 2:45:00 PM SB792

Conference room: 229
Testifier position: support
Testifier will be present: No
Submitted by: Charles Webb, MD
Organization: Individual
Address:
Phone:
E-mail: forecharlee@msn.com
Submitted on: 2/9/2011

Comments: