

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1268

February 28, 2011

LATE TESTIMONY

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 1268 limits the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) board to contract for health benefits plans with only carriers that provide or administer prescription drug coverage together with medical benefits.

The Department of Budget and Finance is opposed to this bill.

First, the Department has serious concerns that limiting the EUTF to only carriers that provide or administer prescription (Rx) benefits together with medical benefits may significantly limit competition and lead to higher costs for the EUTF's medical and Rx benefits plans. There are a very limited number of companies within the State that provide or administer both medical and Rx plans and, although the member may see these benefit carriers as one plan, the management for the Rx benefits may be outsourced to a Pharmacy Benefit Manager (PBM). This type of arrangement may impact customer service and increase costs. In addition, this bill would preclude contracting with large stand-alone Rx companies that, due to their size and buying power, may be more cost effective than carriers that combine medical and prescription drug coverage.

Second, it is unclear if this bill would restrict the ability of the EUTF from providing an Rx plan separate from the medical benefits plans. Such a limitation would impact both active and retiree members. A stand-alone Rx benefit plan assists those

members who do not have Rx benefits with their existing private or federal medical plans. Without a stand-alone Rx plan, these members would have to subscribe to one of the EUTF medical/Rx "bundled" plans which would result in higher costs for both members and employers.

Third, there is more transparency in negotiating with a stand-alone Rx provider due to the outsourcing arrangement discussed earlier.

Finally, the Department believes that the intent of House Bill No. 1268, providing price efficient and quality service to EUTF members, is currently achieved through Chapter 87A-16(b) of the Hawaii Revised Statutes, which states in part, "the board may contract for health benefits through a noninsured schedule of benefits."

Thank you for this opportunity to testify.