



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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January 23, 2012

To: The Honorable Ryan Yamane, Chair, Dee Morikawa, Vice Chair
and Members of the House Committee on Health

Date: Tuesday, January 24, 2012

Time: 10:00 a.m.

Place: Conference Room 329, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations

Re: H.B. No. 2114 Relating to the Hawaii Health Insurance Exchange

I. OVERVIEW OF PROPOSED LEGISLATION

This bill proposes to amend Chapter 435-H, SLH, by:

1. Defining "consumer" in the Health Insurance Exchange Board;
2. Strengthening statewide consumer and business representation on the Health Insurance Exchange Board;
3. Addressing conflicts of interest on the Health Insurance Exchange Board by preventing health plans from serving on the board;
4. Clarifying that representation by providers is not limited to dental providers; and
5. Requiring the Hawaii Health Insurance Exchange to offer a basic health plan.

The department supports this measure because it provides for the Health Insurance Exchange Board to operate in an environment that is free of conflicts of interest.

II. CURRENT LAW

The current law does not define "consumer"; does not require statewide representation on the board; provides for insurance and dental benefit provider representatives on the board; and does not provide for a basic health plan.

With respect to the composition of the board, Act 205, SLH 2011, provides for fifteen members representing various interests on the Health Insurance Exchange.

Three members on the board represent health or dental insurance plans that provide insurance throughout the State.

III. COMMENTS ON HB 2114

The Department of Labor and Industrial Relations (DLIR) supports this proposal for the following reasons:

1. The department strongly supports the intention of the bill to assure the public that the Hawaii Health Insurance Exchange operates in a fair and transparent fashion:
2. During the inception period of the Hawaii Health Insurance Exchange (to be known as the Hawaii Health Connector), it is vital that the statutes and the rules and regulations are promulgated in a manner that results in fair and effective operations that are free of conflicts of interest.

Under the current Chapter 435-H, SLH, (Act 205), the health care insurers are allowed to influence every aspect of the establishment of the Hawaii Health Insurance Exchange. These aspects include legal policymaking and selecting the Hawaii benchmark health plan that all health care insurers (current and future) must abide by. This arrangement may place other health care insurers who are not on the board at a disadvantage. The department notes that it was for similar considerations that the legislature acted in 2003 (Act 206, SLH) to exclude health care insurers from the Prepaid Health Care Advisory Council.

3. The DLIR believes that the statutory absence of health insurers on the Hawaii Health Insurance Exchange Board will improve the business environment and encourage competition by potentially having more health insurers enter the Hawaii market.

The DLIR further believes that by not allowing insurers to be appointed to the board of the Hawaii Health Insurance Exchange that competition will increase, leading to better health plans being offered at competitive premium rates.



LATE TESTIMONY

Government Relations

Testimony of
Phyllis Dendle
Director of Government Relations

Before:
House Committee on Health
The Honorable Ryan I. Yamane, Chair
The Honorable Dee Morikawa, Vice Chair

January 24, 2012
10:00am
Conference Room 329

HB 2114 RELATING TO THE HAWAII HEALTH INSURANCE EXCHANGE

Chair Yamane and committee members, thank you for this opportunity to provide testimony on HB 2114 which would amend the law to require the Hawaii Health Connector to add a basic health plan to the products it is required to offer and would exclude insurers from participating on the board.

Kaiser Permanente Hawaii does not support this bill and recommends the committee consider the amendments offered by the health connector interim board in HB 1736.

The basic health plan is a matter being reviewed by the connector interim board. There are concerns about the possibility of the basic health plan taking patients out of the subsidized commercial market and putting them into the Medicaid market. Although the state will get federal funding for Medicaid, the patients will also get federal funding in the commercial market because of the subsidy. It is not clear yet what would be more advantageous to the state in terms of drawing down matching dollars. One possibility is that shifting more patients to the Medicaid market may mean health plans will be paid Medicaid capitation rates and will pay providers at the Medicaid fee schedules instead of commercial rates. It appears that it would be better for the provider community to receive payment for service at a commercial insurance rate but it is not yet clear. We urge the legislature to let the board continue its review and comparison.

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The purpose of the connector is to increase the ability for consumers to choose and enroll in insurance plans as easily as possible. This will require an operationally complex system to make it easy for the consumer. The people with the greatest insight into how to do this are people involved in insurance. Act 205 of 2011 anticipated the concern over conflict of interest and directed the interim board to adopt a conflict of interest policy. The board's policy is on page 22 of the report submitted to the legislature in December 2011. In addition conflict of interest is also addressed in the connector's bylaws. These conflict of interest directives address not only the behavior of people associated with insurance but rather all individuals entrusted with responsibility as a board member.

As directed by the legislature, the connector's interim board has submitted draft legislation as HB 1736. We urge this committee to consider the amendments to the law addressed in that bill before taking any action on the amendments proposed in this bill.

Thank you for your consideration.

HDS

Hawaii Dental Service

LATE TESTIMONY

January 23, 2012

The Honorable Ryan I. Yamane
Hawaii State House of Representatives
House Committee on Health

Re: HB 2114 - Relating to the Hawaii Health Insurance Exchange

Dear Chair Yamane and Members of the Committee:

HDS submits this testimony in opposition to HB 2114 – Relating to the Hawaii Health Insurance Exchange.

The Affordable Care Act requires each state to establish by 2014 a health insurance exchange where individuals and small businesses can purchase affordable health insurance plans. Last year Hawaii passed legislation to establish an insurance exchange and provided for a governing board comprised of stakeholders statewide. It is important to engage all stakeholders, including representatives of health plans, providers and health facilities, employers, patient advocates and consumers, so as to develop a process for Hawaii that provides our citizens with the best options for health insurance, both inside and outside our state-based exchange.

Improving the oral health of Hawaii residents is HDS's mission and standalone dental benefits are the overwhelming choice of Hawaii employers and consumers. Pediatric oral health benefits are part of the essential benefits package required to be offered on the state exchanges and it is important that Hawaii residents be offered a choice of affordable standalone dental plans as well as plans embedded within medical plans, with transparent pricing and user-friendly navigation.

HDS supports the existing governance structure for our state exchange and appreciates this opportunity to testify in opposition to HB 2114.

Sincerely,



Faye W. Kurren
President and CEO



LATE TESTIMONY
WAIKIKI HEALTH CENTER
REACHING OUT FROM THE HEART OF WAIKIKI.

TO: The Honorable Representative Ryan Yamane

FROM: Sheila Beckham, RD, MPH
CEO
Waikiki Health Center

DATE: January 24, 2012

RE: HB 2114 Relating to Insurance Exchanges

On behalf of Waikiki Health Center, I would like to urge your support for increasing consumer representation for the Hawaii Health Insurance Exchange. The Department of Health and Human Resources in their draft rules recommends that a majority of consumers govern health insurance exchange boards and recommends that health plans do not directly sit on the insurance exchange board.

The intent of the insurance exchanges, according to the Affordable Care Act of 2010, was to make health insurance available to all segments of society, increasing the number of insured individuals across the United States that receive medical insurance coverage. Establishing a structure that is developed by consumers will strengthen the system and ensure that it is developed to meet the most basic needs of those without adequate insurance coverage.

Thank you for your time and we look forward to your support.