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HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair
Rep. Dee Morikawa, Vice Chair
January 29, 2014, 8:45 a.m., Room 329

House Bill 2525, RELATING TO HEALTH INSURANCE RATES

Comments

Presented by Beth Giesting, Healthcare Transformation Coordinator, Office of the Governor

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Speaking on behalf of the Abercrombie Administration thank you for the opportunity to offer comments on this measure.

We acknowledge the difficulty in accommodating changes in health insurance premiums that result from certain provisions of the Affordable Care Act. Accordingly, we are requesting from Secretary Sebelius an extension of transitional policies through the end of 2016. Currently, small groups and individuals have the opportunity to choose either the ACA rating methodology or the "grandmothered" plans that were in effect on October 1, 2013. This situation presents individuals or employers with the opportunity to choose the most economical methodology for themselves or their employees. This option is due to expire next year but the requested extension would provide an additional year to allow us to assess the effects on rates and the market and to give us time to plan a possible innovation waiver available under the ACA in 2017.

Thank you for the opportunity to provide comments on this measure.

NEIL ABERCROMBIE
GOVERNOR

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TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2014

Wednesday, January 29, 2014
8:45 a.m.

TESTIMONY ON HOUSE BILL NO. 2525 – RELATING TO THE HEALTH INSURANCE RATES.

TO THE HONORABLE DELLA AU BELATTI, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department strongly opposes this bill, and submits the following comments.

This bill requires pure community rating for health insurance for individuals and small employer groups, and supplants the federal default 3:1 age rating that took effect on January 1, 2014, under the ACA.

The initial impression is community rating appears to be fair because everyone pays the same rate. However, its unfairness is reflected in the relatively higher rate paid by young people who tend to be healthier, and the relatively lower rate paid by older people who tend to be sicker, which some might consider as age discrimination. Further, health insurers have typically set the community rate based on loss experience. Mandating a pure community rated system will mean that younger individuals and small employer groups will pay higher rates than under the ACA 3:1 age rating. The result will

still reflect the unavoidable situation of certain group seeing large increases and other seeing large decreases, referred to as "rate shock". Implementing pure community rating will not avoid rate shock.

The Department strongly advises against using pure community rating for individual (non-group) policies because it will create a powerful disincentive for young people to sign up for health insurance that commands disproportionately higher rates. If healthy people avoid the system even as sick people jump into the system, a phenomenon known as "adverse selection" will occur. If adverse selection takes hold in Hawaii, it undoubtedly will drive up rates even higher. With respect to small employers, the pure community rate will tend to cost employers more to insure a younger workforce rather than an older workforce. It will tend to cause higher premiums for younger workers and families with children, disadvantaging startup companies that tend to employ younger workers. If we want to encourage the creation of new businesses to bolster our economy, then pure community rating is a bad idea.

The Department is considering other options to mitigate the "rate shock" on our individuals and small businesses, including studying if the rate impact will be minimize with the creation of a Hawaii specific age curve or seeking from Department of Health and Human Services an exemption.

We thank this Committee for the opportunity to present testimony on this matter.

LATE

House Committee on Health
The Hon. Della Au Belatti, Chair
The Hon. Dee Morikawa, Vice Chair

Testimony on House Bill 2525

Relating to Hawaii Health Insurance Rates
Submitted by Robert Hirokawa, Chief Executive Officer
January, 29, 2014, 8:45 am, Room 329

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, offers comments on House Bill 2525, which calls for the establishment of insurance rates based on community rating.

The HPCA believes in providing a form of healthcare that focuses on wellness and healthy living. While we appreciate what appears to be an attempt at cost sharing through premiums for small employers, by implementing the community rating proposed in House Bill 2525, consumers may be unintentionally discouraged from practicing better health habits.

Thank you for the opportunity to testify.

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HB2525
Submitted on: 1/29/2014
Testimony for HLT on Jan 29, 2014 08:45AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Wall	Community Alliance for Mental Health	Support	No

Comments: to: House Health Aloha Chair Belatti and members of the committee, On behalf of the Community Alliance for Mental Health along with United Self Help we support passage of HB2525. The passage of this measure is necessary for the State's health care transformation. Scott Wall VP/Legislative Advocate Community Alliance for Mental Health

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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