

# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 28, 2014



The Honorable David Y. Ige, Chair  
The Honorable Michelle N. Kidani, Vice Chair  
Senate Committee on Ways and Means

**Re: HB 2529, HD3, SD1 – Relating to Health.**

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2529, HD3, SD1. HMSA has comments on this Bill.

HMSA believes Hawaii already had a successful health insurance model. Even before the Affordable Care Act (ACA), we had amongst the lowest health insurance rates in the nation. We are doing as well as we are because of Hawaii's Prepaid Health Care Act (PHCA). So as we look at ways to reach the goal of universal coverage, it's important that we protect the PHCA and build upon it without an expensive ACA system that at best only replaces some of the PHCA

It is unfortunate that the ACA already levies three taxes on health plans. Those federal taxes alone are responsible for a rate increase of approximately six percent. Consequently, to minimize the cost to the overall health care system, HMSA believes the long-term sustainability plan for the Hawaii Health Connector (Connector) must minimize the cost of the Connector by promoting efficiency in its operations and administration.

We have a concern with respect to the provision in this Bill that establishes a maximum fee rate and maximum \$15 million budget level in statute to sustain the Connector. We believe that flexibility to set the fee annually is an important factor to ensuring lower costs. A set maximum rate fixed in statute, as well as a set maximum budget figure, would remove the incentive to reduce costs, as there would be a guaranteed income level for the Connector.

We believe conditions are right for truly universal health care coverage in Hawaii at a fraction of the cost of our ACA experience. We can ensure a broad safety net to provide our residents with the security that comes with health care coverage and take positive steps to control health care costs. Those are goals we all can support.

We can accomplish this if the State requests federal waivers from certain ACA requirements that recognize our unique insurance market. While states are not allowed to receive formal waivers from the ACA until 2017, we believe opportunity exists for actions by the federal government to be taken now to effectuate some of those changes without waiting until 2017. Our hope is that all of us – the Legislature, the State Administration, our Congressional delegation, the Connector Board and administration, and health plans – can work together to push for immediate federal action.

Thank you for the opportunity to testify on this measure. Your consideration of our suggested amendments is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD', with a long horizontal stroke extending to the right.

Jennifer Diesman  
Vice President  
Government Relations,