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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Wednesday, February 18, 2015
3:00 p.m.

TESTIMONY ON HOUSE BILL NO. 1467, H.D. 1 – RELATING TO THE HAWAII HEALTH CONNECTOR.

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department takes no position on the bill, and submits the following comments on this bill.

The purposes of this bill are to: enable the Hawaii Health Connector ("Connector") to offer large group coverage to insurers beginning on January 1, 2017; end transitional renewal health insurance policies beginning January 1, 2016; require health insurers to provide notice to group health plans offering continuation coverage about options to secure coverage through the Connector; amend the current definition of "small employer" under section 431:2-201.5, Hawaii Revised Statutes ("HRS"); require insurer participation in the Connector with two plan levels as a condition of its license or certificate of authority if an insurer has control of more than a 20% share of the small group Hawaii market for all policies as determined by the Commissioner; and require as a condition of certification that each qualified plan offer a contractual opportunity to a willing federally-qualified health center providing services in the plan's geographic area.

The Department notes that amending the definition of small employer to increase it to 100 employees, and ceasing transitional renewal health policies will subject certain businesses to rate increases due to the elimination of the use of loss experience in rating. These increases could be significant.

The Department also notes that as drafted, the 20% mandate would apply to all insurers of accident and health or sickness policies, not only health insurers, mutual benefit societies, and health maintenance organizations. The statute should exclude limited benefit health insurance as set forth in section 431:10A-102.5, HRS.

Additionally, with regard to the ability of federally-qualified health centers to contract, the proposed language may be in conflict with federal law under the Affordable Care Act section 1301 in that the exchange certifies qualified health plans and not the Commissioner. In addition, the Insurance Division does not regulate or oversee the contractual provisions or requirements between health insurers and medical providers.

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

HAWAIʻI HEALTH
CONNECTOR

The Honorable Angus L.K. McKelvey
Chair, House Committee on Consumer Protection & Commerce

The Honorable Justin H. Woodson
Vice Chair, House Committee on Consumer Protection & Commerce

Re: Testimony regarding H.B. 1467, HD1, Relating to the Hawaii Health Connector.

Hearing scheduled for February 18, 2015, at 3:00 p.m.

Chair McKelvey, Vice Chair Woodson, and members of the House Committee on Consumer Protection & Commerce,

My name is Jeff Kissel, Executive Director of the Hawaiʻi Health Connector (the "Connector"), speaking on behalf of the Connector and its Board of Directors.

H.B. 1467

- The array of plans from which an individual or small businesses must chose is overwhelming. Currently, there are more than 40 plans offered to both individual and small businesses through the Connector. In addition to those plans, the transitional or "grandmothered plans" offer many more options and cause unnecessary confusion as to how to compare plan offerings. Based on the Connector's experience with customers over the last two enrollment periods, and for the purpose of simplifying choices, we would support a reduction in the number of offerings as proposed by the legislation. We feel this would be beneficial to our customers and all Hawaii residents.

- Considering Hawaii's economy has an unusually large economy of employers with 100 employees or fewer, we would like to offer them the opportunity to select from the plans on the Connector. We believe our efforts to attract more insurance companies to the Small Business Health Options Program (SHOP), combined with the fully functional technology in SHOP, will be beneficial to the business community.

- With nearly 30,000 individuals on unemployment, and presumably a very high percentage of those individuals with families, it is imperative that they become aware of the potential savings through the programs that provide tax credits (advanced premium tax credits) and other cost-sharing reductions which lower the overall price of health care when an individual's income declines. We support notification of all recipients of unemployment benefits that they may be eligible so that they may be able to move from the high cost of COBRA coverage to an ACA plan, while they continue to search for employment.

February 18, 2015

The Honorable Angus L. K. McKelvey, Chair
The Honorable Justin H. Woodson, Vice Chair
House Committee on Consumer Protection and Commerce

Re: HB 1467, HD1 – Relating to Health

Dear Chair McKelvey, Vice Chair Woodson and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1467,, HD1, which requires (1) an issuer with at least 20 percent of the small group market to offer at least one silver and one gold qualified health plan (QHP), as a condition of participating in the Hawaii Health Connector's (Connector) individual market; (2) an issuer to allow each federally qualified health center (FQHC) the opportunity to contract with the issuer to offer qualified health plans and to reimburse the FQHC at federal Prospective Payment System (PPS) rates; (3) changes to the definition of "small employer" to include businesses with up to 100 employees; (4) end transitional health plans effective January 1, 2016; (5) requires additional notification requirements for plans; and (6) authorizes the Connector to offer large group insurance coverage beginning January 1, 2017. HMSA opposes this Bill because of two specific provisions in this legislation, and we have additional comments.

Silver and Gold QHP Mandate
HMSA opposes the provision in this Bill that requires an issuer with at least 20 percent of the small group market to sell a silver and gold QHP, as a condition of participating in the Connector's individual market. The Affordable Care Act (ACA) already mandates all issuers who sell plans thru a health insurance exchange to sell a silver and gold QHP. HMSA, in fact, offers all four metal level plans. Consequently, we fail to understand why this provision in State law would be necessary.

In addition, we fail to understand why this State provision only would apply to an issuer with at least 20 percent of the small group market. Given that threshold, this provision of the Bill only would apply to HMSA and to no other issuer. The 20 percent threshold provision would not absolve any other issuer from the ACA metal plan offering mandate.

Issuer Contracts with FQHCs
HMSA opposes the provision in this Bill mandating issuers to offer to contract with any willing FQHC and to reimburse that FQHC at PPS rates. We believe this requirement jeopardizes our pay-for-quality program.

We are concerned that this Bill may impede the quality and efficiency management of our facility provider program. HMSA utilizes a pay-for-quality program for our facility providers, as we do for our primary care providers. The payment system rewards the facilities for the quality, safety, and efficiency of the care they provide. It compensates the facilities and their physicians for working together and with physicians in the community to coordinate patient care that increases positive health outcomes while at the same time controlling costs. The primary goal of this payment system is to improve the health of the community, while ensuring Hawaii's health care system is viable for years to come.

An Independent Licensee of the Blue Cross and Blue Shield Association

Forcing issuers to pay any willing FQHC at PPS levels requires us to contract with an FQHC without regard to the quality of service provided. This will force HMSA to move backwards to an inefficient fee-for-service model of health care delivery.

An issuer will be required to pay a specified rate regardless of patient quality or better outcomes, as well as appropriate use of services or cost effectiveness of those services. And, the Bill will require the issuer to pay FQHC at fixed, federally established rates that, generally, are higher than commercial and Medicare rates. The PPS rates are global rates that are determined based on the costs to operate the FQHCs and may include more than traditional medical services.

As written HB 1467, HD1, will be a detriment to our members and to the overall health care system in Hawaii.

Other Concerns with HB 1467, HD1

We also would like to bring to your attention other concerns we have with the subject legislation. First, the Bill changes the definition of a "small employer" to include a company with up to 100 employees. And, the Bill mandates large group coverage thru the Connector beginning January 1, 2017. We believe that these provisions should not be mandated in statute. Rather, to the extent allowed under the ACA, the Insurance Commissioner should be afforded the flexibility of determining the markets that the Connector serves. Consideration must be given to overall market conditions in 2017 and the investment in time and money that would be needed to accommodate any changes.

We also are concerned with the provision in this Bill that calls for the termination of the transitional "grand-mothered" plans on January 1, 2016. The President's decision to authorize grand-mothered plans was to honor his commitment to allow people to continue to have the health insurance plans they had prior to the implementation of the ACA. It gave people the option to continue the plans they already enjoyed or to purchase an ACA plan. HB 1467, HD1, is not consumer friendly in that it reduces the number of options available, particularly to small businesses.

Thank you for the opportunity to testify in opposition to HB 1467, HD1. Your consideration of our concerns is appreciated.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

HPCA

HAWAI'I PRIMARY CARE ASSOCIATION

House Committee on Consumer Protection and Commerce
The Hon. Angus L.K. McKelvey, Chair
The Hon. Justin H. Woodson, Vice Chair

Testimony on House Bill 1467 HD1

<u>Relating to the Hawaii Healthcare Connector</u>

Submitted by Nani Medeiros, Public Affairs and Policy Director

February 18, 2015, 3:00 pm, Room 325

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers (FQHC) in Hawaii, supports House Bill 1467, which calls for a number of measures to strengthen the Hawaii Health Connector.

Under the Affordable Care Act (ACA), the intent behind creating state health insurance exchanges was to have a venue for competitive insurance plan comparison so as to provide for better premium rates to consumers. The HPCA finds House Bill 1467 to be very much in line with that goal, mandating that all plans in the state carrying a 20% market share of the SHOP program or better participate in the exchange.

Additionally, the HPCA supports changing the definition of "small employers" in Hawaii from 50 to the nationally accepted threshold of 100 employees. Such measures will encompass a greater number of businesses in the state, providing a stronger Connector and a better marketplace for consumers.

Thank you for the opportunity to testify and we look forward to further discussion on this important matter.

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Chamber of Commerce HAWAII
The Voice of Business

LATE

Testimony to the House Committee on Consumer Protection
Wednesday, February 18, 2015 at 3:00 P.M.
Conference Room 325, State Capitol

RE: HOUSE BILL 1467 HD1 RELATING TO THE HAWAII HEALTH CONNECTOR

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** HB 1467 HD1, which enables the Hawaii health connector to offer large group coverage and requires health insurers with greater than 20 percent share of the State's small group health insurance market to offer gold and silver level qualified health plans as a condition of participation in the individual market of the Hawaii Health Connector. Also ends transitional renewal policies effective 1/1/2016 and amends state small market parameters to comport with federal law.

The Chamber is the largest business organization in Hawaii, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber believes that private companies should have a choice of whether or not to participate in the health connector, rather than being required to participate due to their control of shares. We believe that no company should be forced to participate in a government program.

Thank you for the opportunity to testify.

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LATE TESTIMONY

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February 18, 2015

THE HONORABLE ANGUS L. MCKELVEY, CHAIR,
THE HONORABLE JUSTIN H. WOODSON, VICE CHAIR,
MEMBERS OF THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Wednesday, February 18, 2015
3:00 p.m., Room 325, State Capitol

TESTIMONY ON HOUSE BILL NO. 1467 H.D. 1 – RELATING TO THE HAWAII HEALTH CONNECTOR

The department takes no position on the bill and offers the following comments:

The department notes that silver level plans are not approved plans under the Prepaid Health Care (PHC) law, and employers who are required to offer approved PHC plans will not be meeting their statutory requirement if they purchase silver level plans.

The department also notes that the stipulation in the measure requiring insurance companies to offer one gold and one silver level plan on the exchange may be unnecessary as Section 1301 of the Affordable Care Act (42 USC Section 18021) already requires insurance companies to do so.