

HEALTH CARE, HEALTH INSURANCE ON THE THRESHOLD OF...

Health Insurance Working Group
September 6, 2017

DCCA Hawaii Insurance Division

PRICING OF HEALTH INSURANCE PLANS...

Health Insurance Rate Regulation

- HRS article 431:14G requires review of managed care plan rate filings
- Commissioner must ensure that rates are **not excessive, inadequate, or unfairly discriminatory** and are reasonable in relation to the costs of the benefits provided
- September 1, 2011, the Affordable Care Act allowed HHS to have limited oversight over State rate review regulation
- Hawaii is among the 46 states and the District of Columbia with federally recognized effective rate review programs for the individual and small group markets

RATE REVIEW IS NOT THE SOLUTION

Rate review will **NOT** solve the rising healthcare premium increase problem

Bending the Health Care cost curve is the **SOLUTION!**



HEALTH CARE REFORM

Why it is needed...

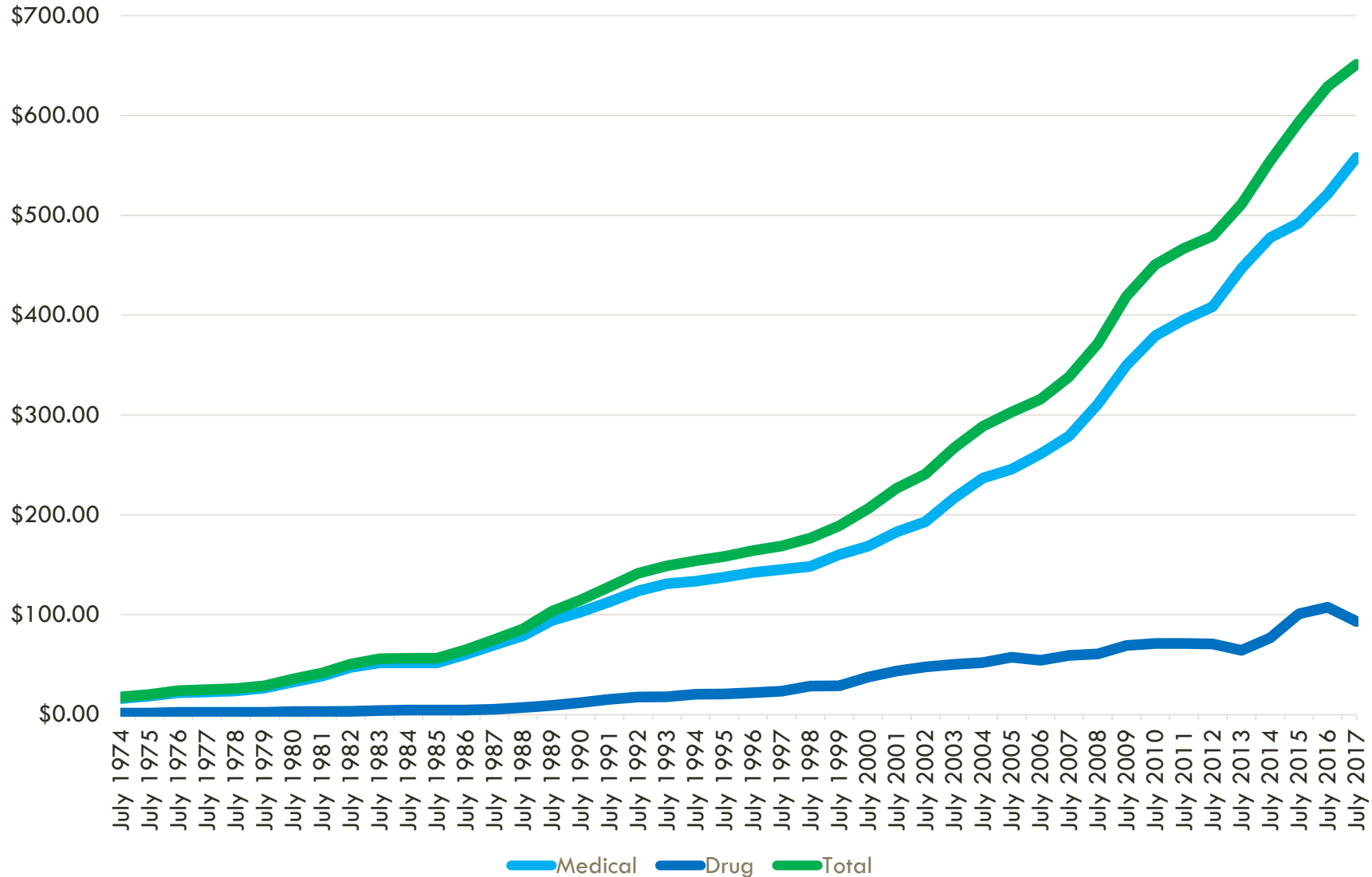
ESCALATING COSTS...

Hawaii Experience

- Prepaid Healthcare law passed in 1974
- Goals: reduce uninsured population, cover major medical to avoid financial hardship, cover preventative care, control healthcare cost increases

Year	Average Income in Hawaii	Medical & Drug Premiums	Percent of Wages
1974	\$7,418	\$17.50 per month (\$210 per year)	2.8%
1995	\$25,715	\$158.36 per month (\$1,900 per year)	7.3%
2005	\$35,669	\$303.10 per month (\$3,637 per year)	10.2%
2015	\$48,288	\$593.44 per month (\$7,121 per year)	14.7%
2017	-	\$651.18 per month (\$7,814.16 per year)	-

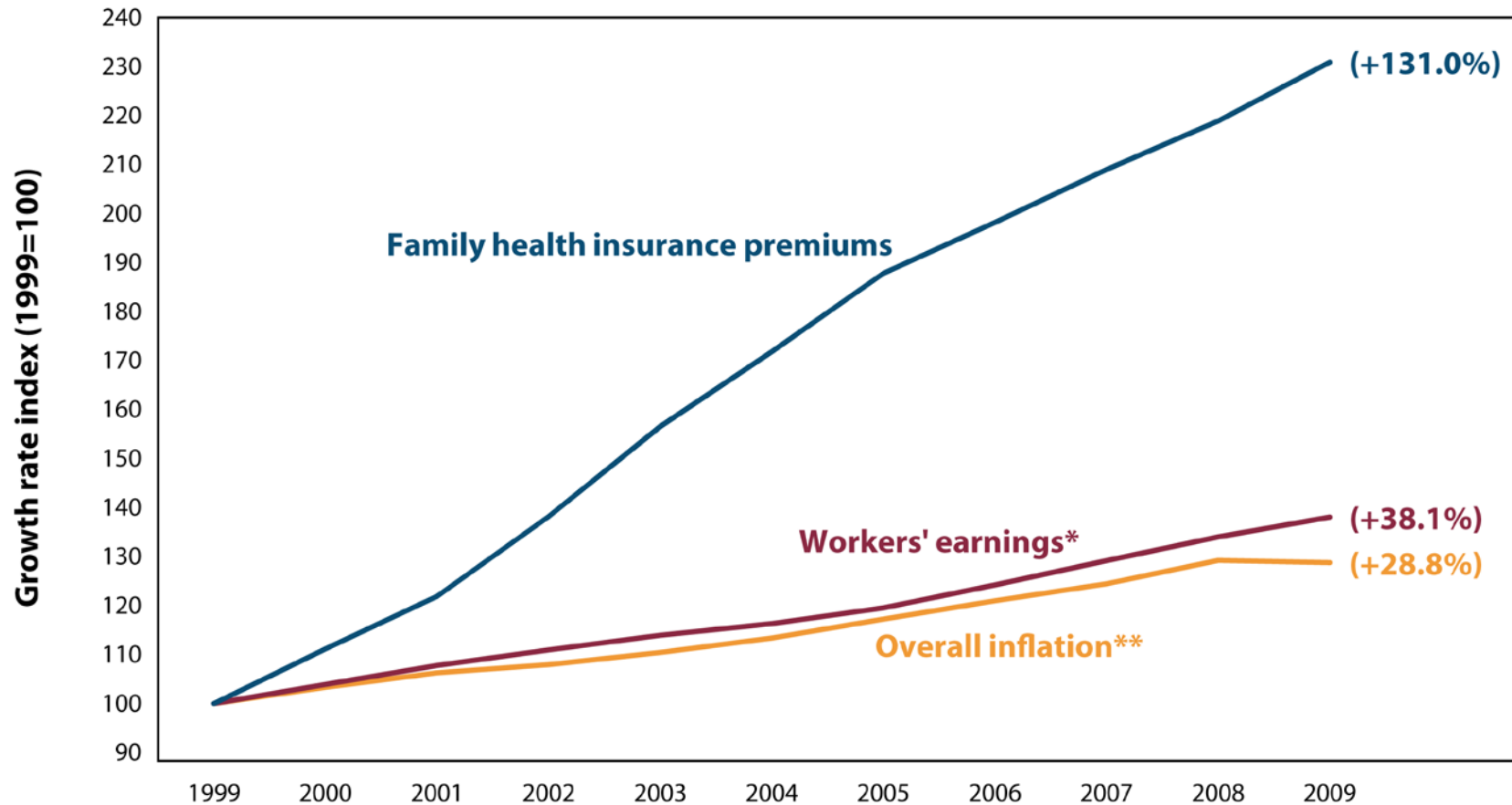
SMALL BUSINESS RATES — 1974 TO 2017



- Average medical & drug premiums have risen steadily due to increases cost of care, medical and drug utilization
- In 1974, medical & drug premiums totaled \$17.50. As of 2017 the cost of medical & drug premiums have increased to \$651.18

Growth of health insurance premiums far outpaces workers' earnings and overall inflation

Growth rate index of family health insurance premiums, workers' earnings, and overall inflation, 1999-2009

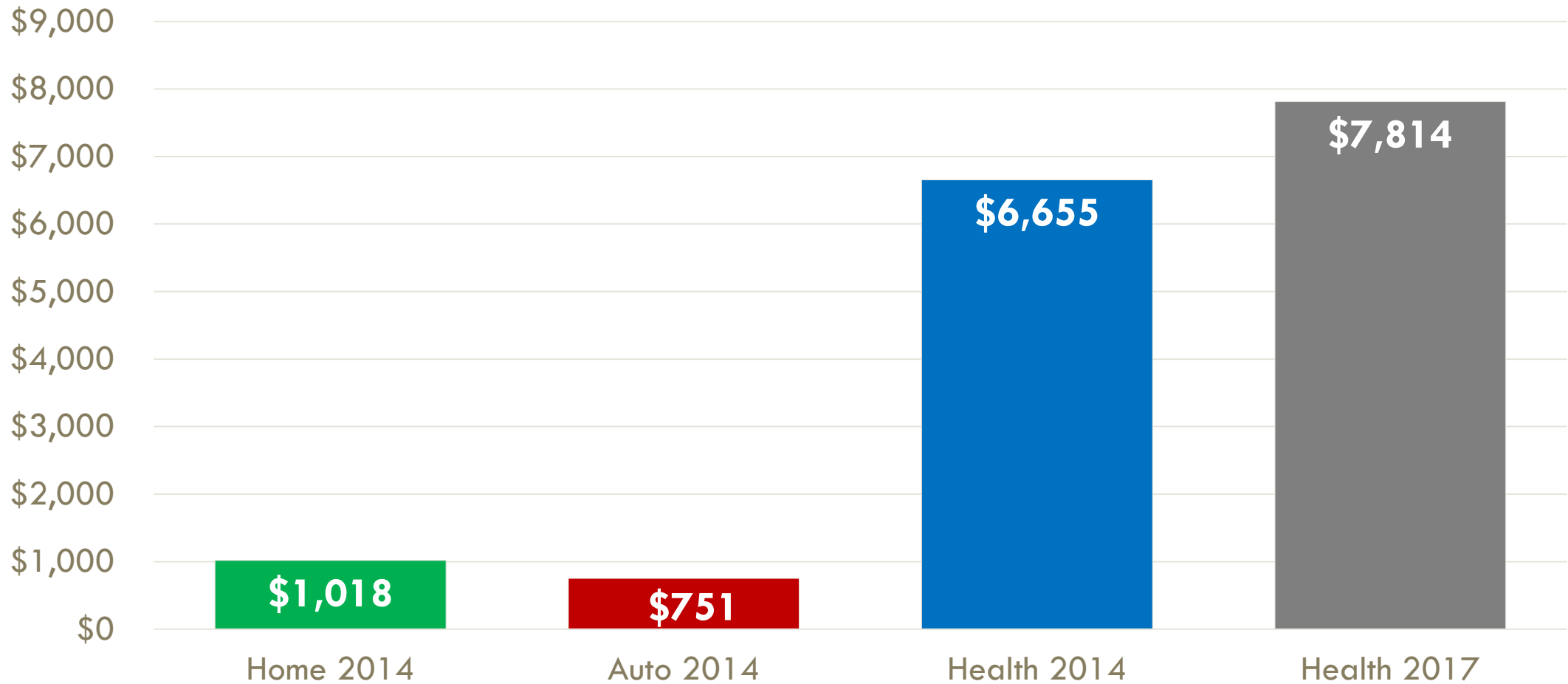


* Workers' earnings as measured by average hourly earnings for private sector production workers.

** Overall inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

Source: EPI analysis of Kaiser Family Foundation and Bureau of Labor Statistics data.

HAWAII AVERAGE PREMIUM COSTS



HAWAII HEALTH PREMIUMS COSTS OVER TIME

Year	Individual	Subtotal Group Comprehensive	Government Business	Other Health Business	TOTAL
1995	–	\$1,212,145,529	–	\$49,973,336	\$1,262,118,865
2005	\$43,858,511	\$1,824,098,545	\$835,717,800	\$55,268,655	\$2,758,943,511
2010	\$82,089,690	\$1,840,873,925	\$2,090,320,888	\$71,046,281	\$4,084,330,784
2015	\$152,999,917	\$2,697,319,284	\$3,404,523,769	\$89,106,887	\$6,343,949,857

Source: Hawaii DCCA Insurance Division and Department of Budget and Finance – EUTF

HAWAII HEALTH PREMIUMS COSTS OVER TIME

GOVERNMENT BUSINESS BREAKDOWN

Year	Federal Employees Health Benefit Plan	Medicare	Medicaid	EUTF	TOTAL
1995	–	–	–	–	–
2005	\$233,792,052	\$234,988,249	\$366,937,499	\$591,058,711	\$1,426,776,511
2010	\$311,461,098	\$573,195,558	\$1,205,664,232	\$673,314,201	\$2,763,635,089
2015	\$399,764,461	\$1,164,517,112	\$1,840,242,196	\$945,202,267	\$4,349,726,036

Source: Hawaii DCCA Insurance Division and Department of Budget and Finance – EUTF, includes counties

GOVERNMENT SPENDING ON HEALTHCARE PREMIUMS

Year	State Budget ¹	State Employer Contributions (EUTF Active & Retired) ²	% of State Budget
FY 1995	\$5.7 billion	—	—
FY 2005	\$8 billion	\$440,147,908	5.50%
FY 2010	\$11.1 billion	\$469,265,210	4.22%
FY 2015	\$12.1 billion	\$689,296,092	5.69%

¹Source: Department of Budget and Finance – Executive Biennium Budget

²Source: Department of Budget and Finance – EUTF, does not include counties

GOVERNMENT SPENDING ON HEALTHCARE PREMIUMS

EUTF — SELF PLAN — HMSA

Year	Average Income ¹	Plan A Premiums ²	Employee Contribution	Contribution as % of Wage
1995	\$25,715	—	—	—
2005	\$35,669	\$271.20 per month (\$3,254.40 per fiscal year)	\$107.14 per month (\$1,285.68 per fiscal year)	3.6%
2010	\$41,594	\$347.22 per month (\$4,166.64 per year)	\$137.80 per month (\$1,653.60 per year)	4.0%
2015	\$47,753	\$569.84 per month (\$6,838.08 per fiscal year)	\$298.42 per month (\$3,581.04 per year)	7.5%

¹Source: DBEDT Research & Economic Analysis - State of Hawaii Data Book, Time Series – Per capita personal income

²Self – HSMA 90/10 Plan Medical, Drug, Chiropractic (premiums based off rates for BU 03 which is the largest unit in the state)

GOVERNMENT SPENDING ON HEALTHCARE PREMIUMS

EUTF — FAMILY PLAN — HMSA

Year	Median Income for Family of Four ¹	Plan A Premiums ²	Employee Contribution	Contribution as % of Wage
1995	\$54,749	—	—	—
2005	\$79,240	\$810.08 per month (\$9,720.96 per fiscal year)	\$322.70 per month (\$3,872.40 per fiscal year)	4.9%
2010	\$82,726	\$1075 per month (\$12,900 per year)	\$426.64 per month (\$5,119.68 per year)	6.2%
2015	\$91,096 ³	\$1,762.64 per month (\$21,151.68 per fiscal year)	\$924.16 per month (\$11,089.92 per year)	12.2%

¹Source: DBEDT Research & Economic Analysis - State of Hawaii Data Book, Time Series – Median income of four-person families in the United States and Hawaii

²Family – HSMA 90/10 Plan Medical, Drug, Chiropractic (premiums based off rates for BU 03 which is the largest unit in the state)

³Figure reflects 2014 which is the most recent data.

GOVERNMENT SPENDING ON HEALTHCARE PREMIUMS

EUTF — SELF PLAN — KAISER

Year	Average Income ¹	Plan B Premiums ²	Employee Contribution	Contribution as % of Wage
1995	\$25,715	—	—	—
2005	\$35,669	\$272.56 per month (\$3,270.72 per fiscal year)	\$108.50 per month (\$1,302 per fiscal year)	3.7%
2010	\$41,594	\$311.94 per month (\$3,743.28 per year)	\$102.52 per month (\$1,230.24 per year)	3.0%
2015	\$47,753	\$515.78 per month (\$6,189.36 per fiscal year)	\$244.36 per month (\$2,932.32 per fiscal year)	6.1%

¹Source: DBEDT Research & Economic Analysis - State of Hawaii Data Book, Time Series – Per capita personal income

²Self – Kaiser Comprehensive Medical, Drug & Chiropractic (premiums based off rates for BU 03 which is the largest unit in the state)

GOVERNMENT SPENDING ON HEALTHCARE PREMIUMS

EUTF — FAMILY PLAN — KAISER

Year	Median Income for Family of Four ¹	Plan B Premiums ²	Employee Contribution	Contribution as % of Wage
1995	\$54,749	—	—	—
2005	\$79,240	\$809.72 per month (\$9,716.64 per fiscal year)	\$322.34 per month (\$3,868.08 per fiscal year)	4.9%
2010	\$82,726	\$965.44 per month (\$11,585.28 per year)	\$317.08 per month (\$3,804.96 per year)	4.6%
2015	\$91,096 ³	\$1,609.90 per month (\$19,318.80 per fiscal year)	\$771.42 per month (\$9,257.04 per year)	10.2%

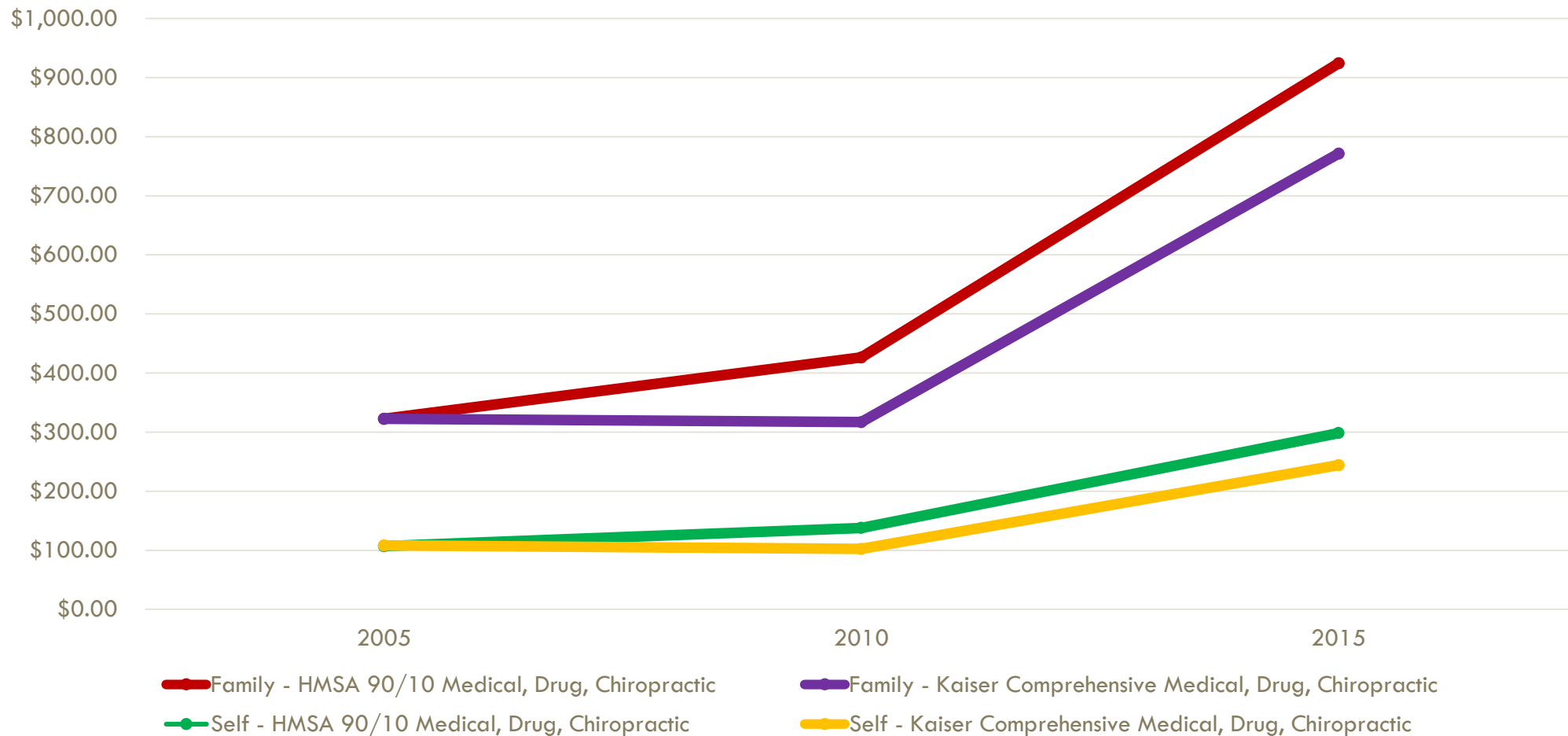
¹Source: DBEDT Research & Economic Analysis - State of Hawaii Data Book, Time Series – Median income of four-person families in the United States and Hawaii

²Family – Kaiser Comprehensive Medical, Drug, Chiropractic (premiums based off rates for BU 03 which is the largest unit in the state)

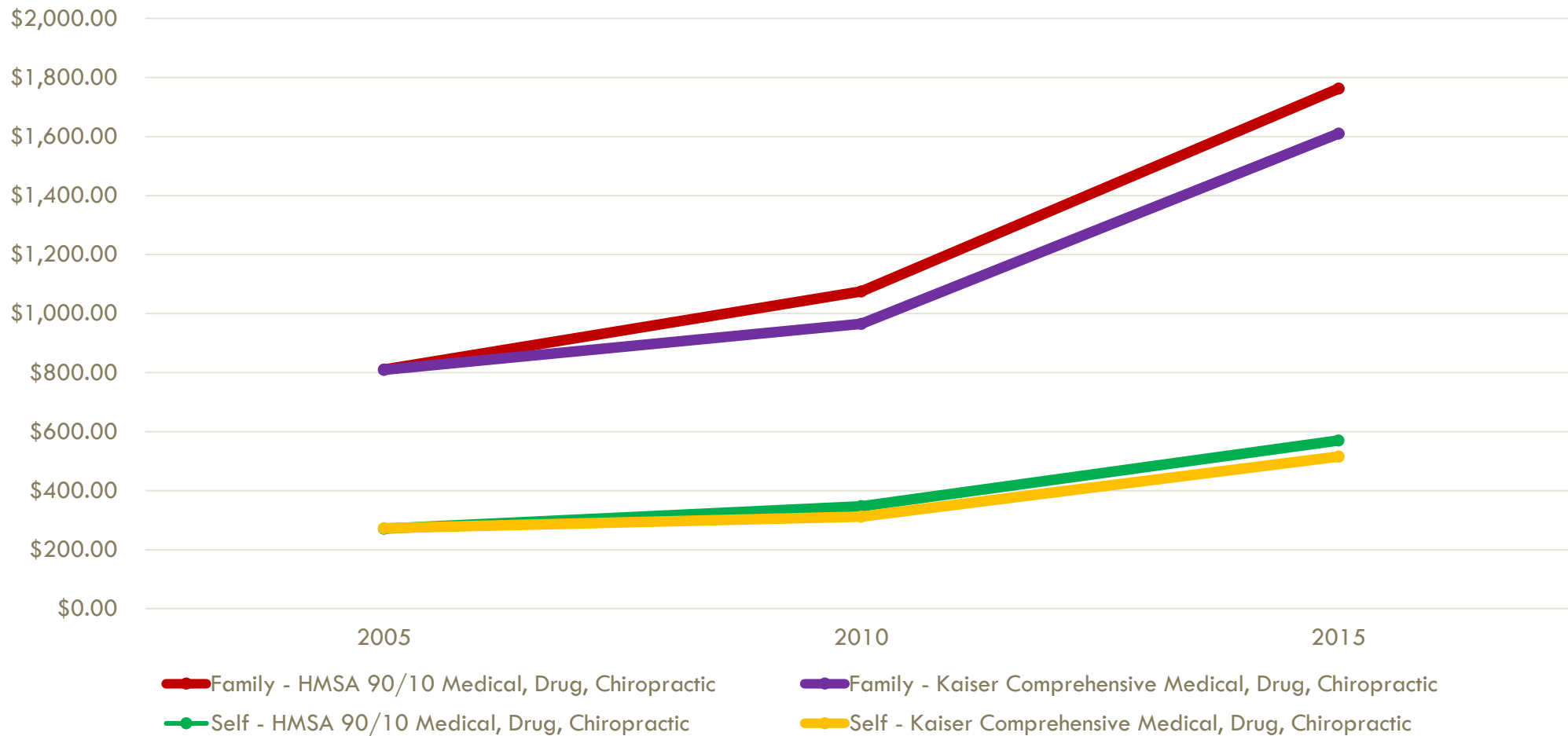
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STATE HEALTHCARE PREMIUMS

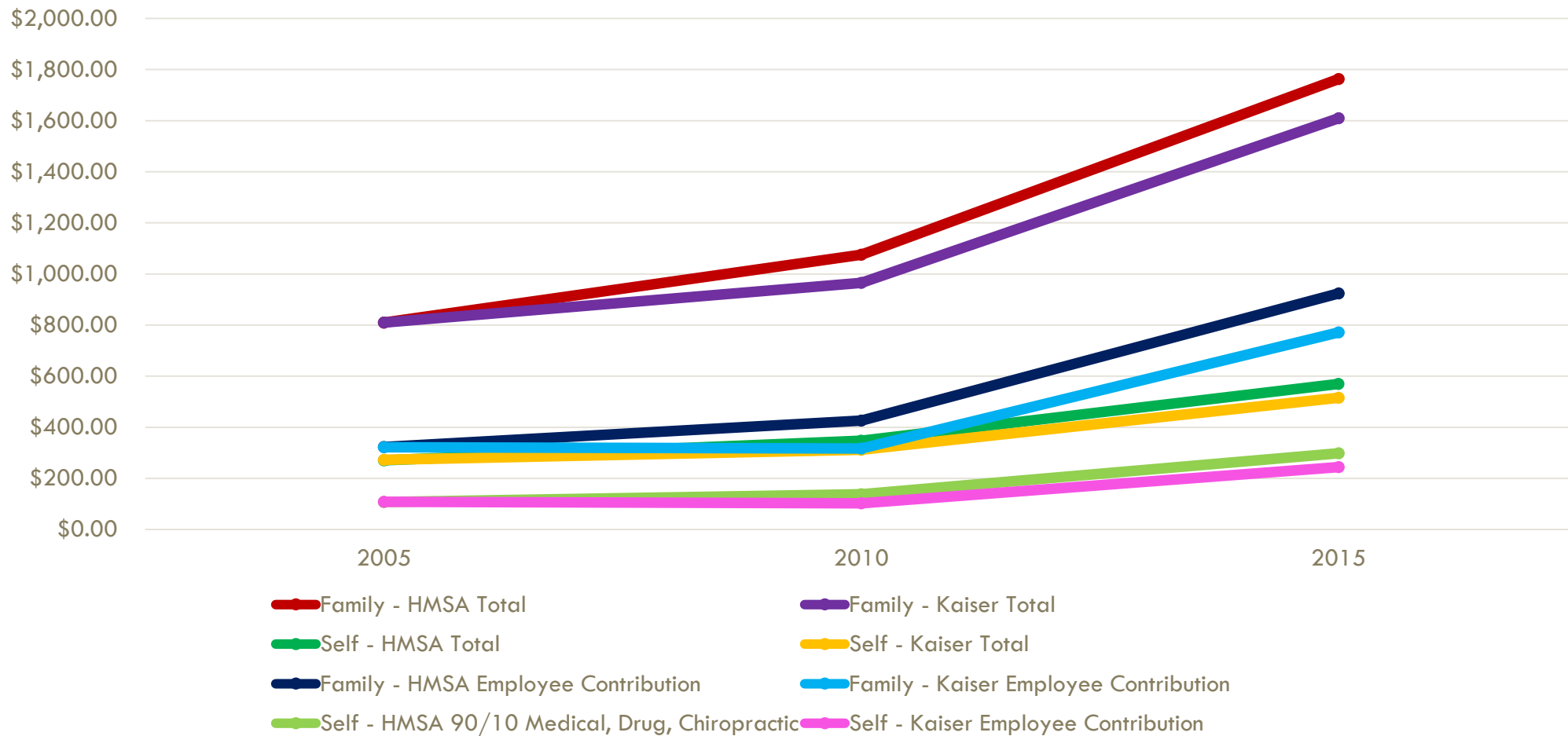
EMPLOYEE CONTRIBUTIONS



STATE HEALTHCARE PREMIUMS TOTAL



STATE HEALTHCARE PREMIUMS COMBINED



SMALL GROUP HEALTH PREMIUMS IN 2016 PROJECTION FOR 2026

Projected Small Group Health Premium Increase 2016 - 2026	Medical	Drug	% Drug Increase	Total	Total Increases	Total Increase at 8.0%	Total Increase at 7.0%	Total Increase at 6.5%	Total Increase at 4.0%	Total Increase at 3.5%	Total Increase at 3.0%	Total Increase at 2.5%	Total Increase at 1.0%
2010	\$ 379.44	\$ 71.26		\$ 450.70	7.6								
2011	\$ 395.38	\$ 71.76	0.1	\$ 467.14	3.6								
2012	\$ 408.42	\$ 70.76	(1.4)	\$ 479.18	2.6								
2013	\$ 446.82	\$ 64.46	(8.9)	\$ 511.28	6.7								
2014	\$ 477.66	\$ 76.96	19.4	\$ 554.62	8.5								
2015	\$ 492.46	\$ 100.98	31.2	\$ 593.44	7.0								
Ten Year Projection													
2016	\$ 521.52	\$ 107.44	6.3	\$ 628.96									
2017						\$ 679.28	\$ 672.99	\$ 669.84	\$ 654.12	\$ 650.97	\$ 647.83	\$ 644.68	\$ 635.25
2018						\$ 733.62	\$ 720.10	\$ 713.38	\$ 680.28	\$ 673.76	\$ 667.26	\$ 660.80	\$ 641.60
2019						\$ 792.31	\$ 770.50	\$ 759.75	\$ 707.49	\$ 697.34	\$ 687.28	\$ 677.32	\$ 648.02
2020						\$ 855.69	\$ 824.44	\$ 809.14	\$ 735.79	\$ 721.75	\$ 707.90	\$ 694.25	\$ 654.50
2021						\$ 924.15	\$ 882.15	\$ 861.73	\$ 765.23	\$ 747.01	\$ 729.14	\$ 711.61	\$ 661.04
2022						\$ 998.08	\$ 943.90	\$ 917.74	\$ 795.84	\$ 773.15	\$ 751.01	\$ 729.40	\$ 667.65
2023						\$ 1,077.93	\$ 1,009.97	\$ 977.40	\$ 827.67	\$ 800.21	\$ 773.54	\$ 747.64	\$ 674.33
2024						\$ 1,164.16	\$ 1,080.67	\$ 1,040.93	\$ 860.78	\$ 828.22	\$ 796.75	\$ 766.33	\$ 681.07
2025						\$ 1,257.29	\$ 1,156.32	\$ 1,108.39	\$ 895.21	\$ 857.21	\$ 820.65	\$ 785.48	\$ 687.88
2026						\$ 1,357.88	\$ 1,237.26	\$ 1,180.64	\$ 931.01	\$ 887.21	\$ 845.27	\$ 805.12	\$ 694.76
		ANNUAL PREMIUM		\$ 7,547.52		\$ 16,294.53	\$ 14,847.11	\$ 14,167.73	\$ 11,172.17	\$ 10,646.52	\$ 10,143.24	\$ 9,661.46	\$ 8,337.16

INSURANCE PREMIUMS IN HAWAII (2015)

Life		\$ 725,515,680
Annuities		\$ 1,276,102,831
Fire, Casualty, Misc.		<u>\$ 2,617,365,357</u>
	Total	\$ 4,618,983,868
Mutual Benefit Societies (MBS)		\$ 3,455,282,170
HMO		\$ 1,517,539,771
Dental		\$ 208,476,368
Foreign Health Companies		<u>\$ 1,316,445,045</u>
	Total	\$ 6,497,743,354
	GRAND TOTAL	<u>\$ 11,116,727,222</u>

HEALTHCARE COST DRIVERS

- **Physician, facility and pharmaceutical cost**
- **Expensive technologies and procedures**
- **Fragmented and uncoordinated care**
- **Lack of cost consideration from patients**
- **Fee-for-service**
- **High administrative cost expenses**
- **Unhealthy behavior and lifestyle choices**
- **Expensive end-of-life care**
- **Provider consolidation**
- **Aging population**

List from Becker's Hospital Review and NAHU



Source: <http://www.slideshare.net/PayerFusion/10-drivers-of-healthcare-cost>

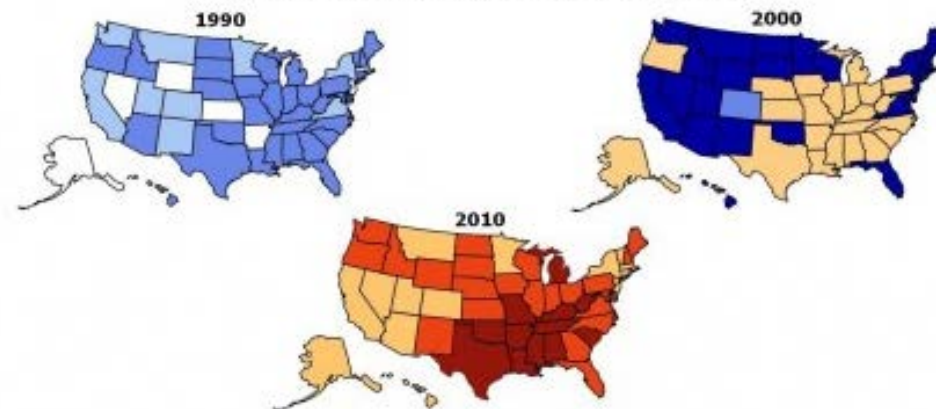
UNHEALTHY BEHAVIOR & LIFESTYLES

1 in **5**
Americans
will die from an
Obesity Related Disease

Obesity Trends* Among U.S. Adults

BRFSS, 1990, 2000, 2010

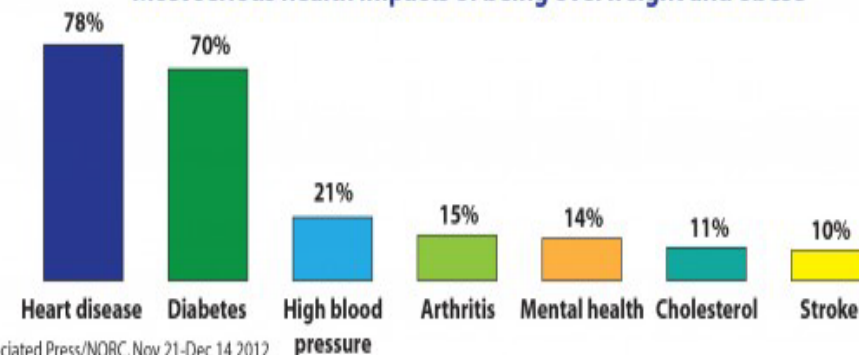
(*BMI ≥30, or about 30 lbs. overweight for 5'4" person)



Source: Behavioral Risk Factor Surveillance System, CDC.



Most serious health impacts of being overweight and obese

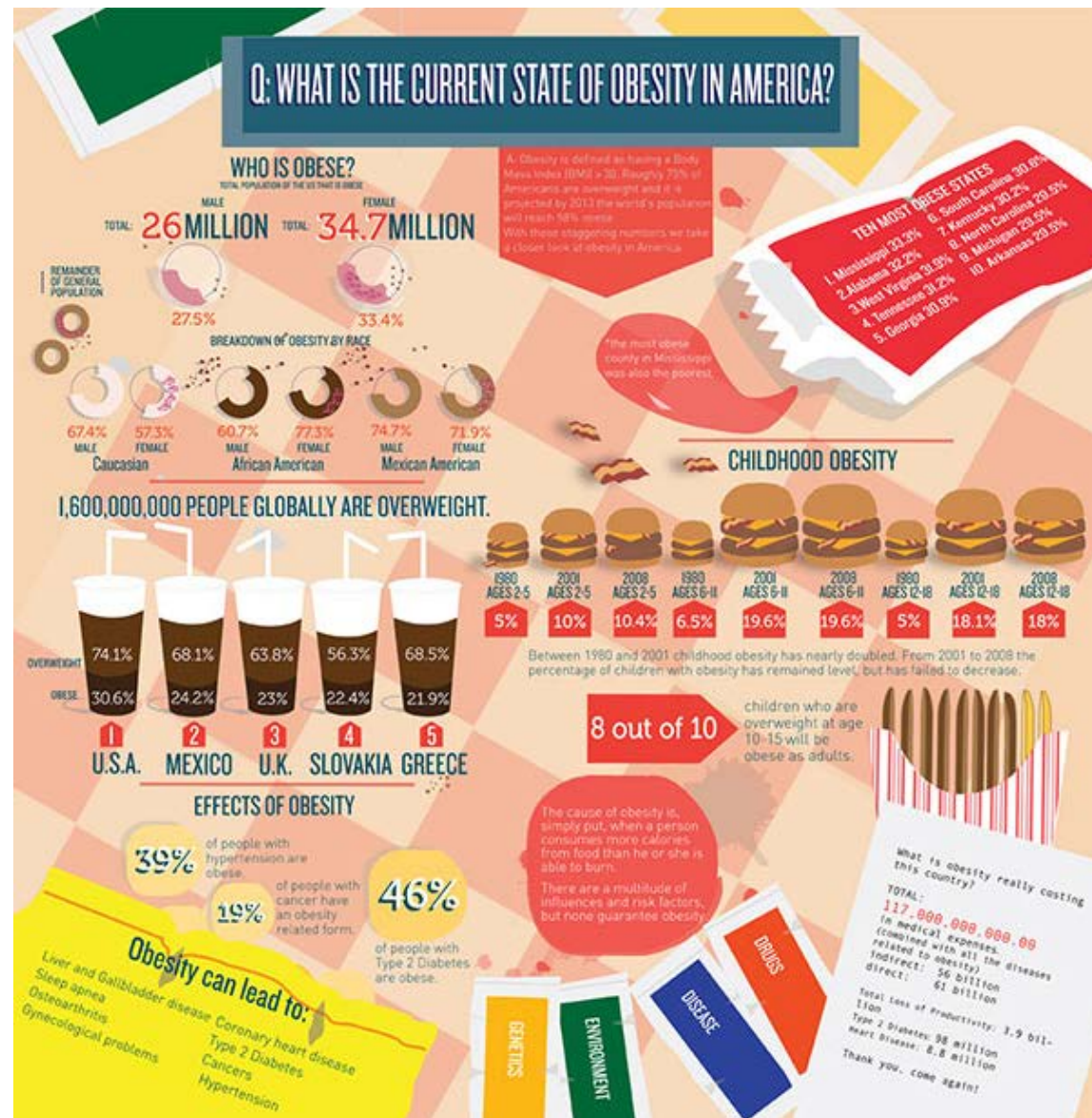


Source: Associated Press/NORC, Nov 21-Dec 14 2012

Note: Respondents could give multiple responses

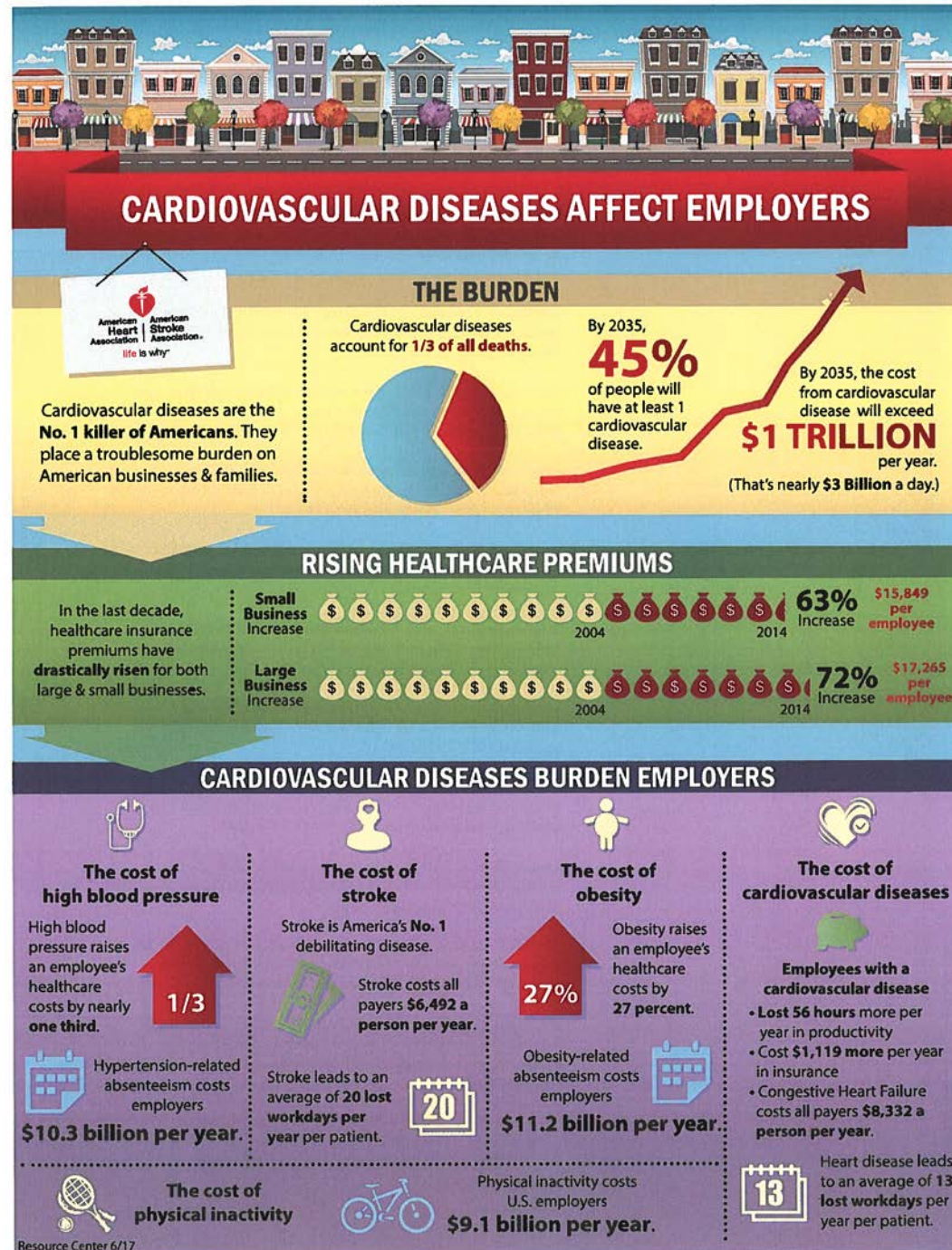
UNHEALTHY BEHAVIOR & LIFESTYLES

Source: <http://thefinfographics.com/2011/11/16/obesity-in-america-facts-statistics-and-lies/>



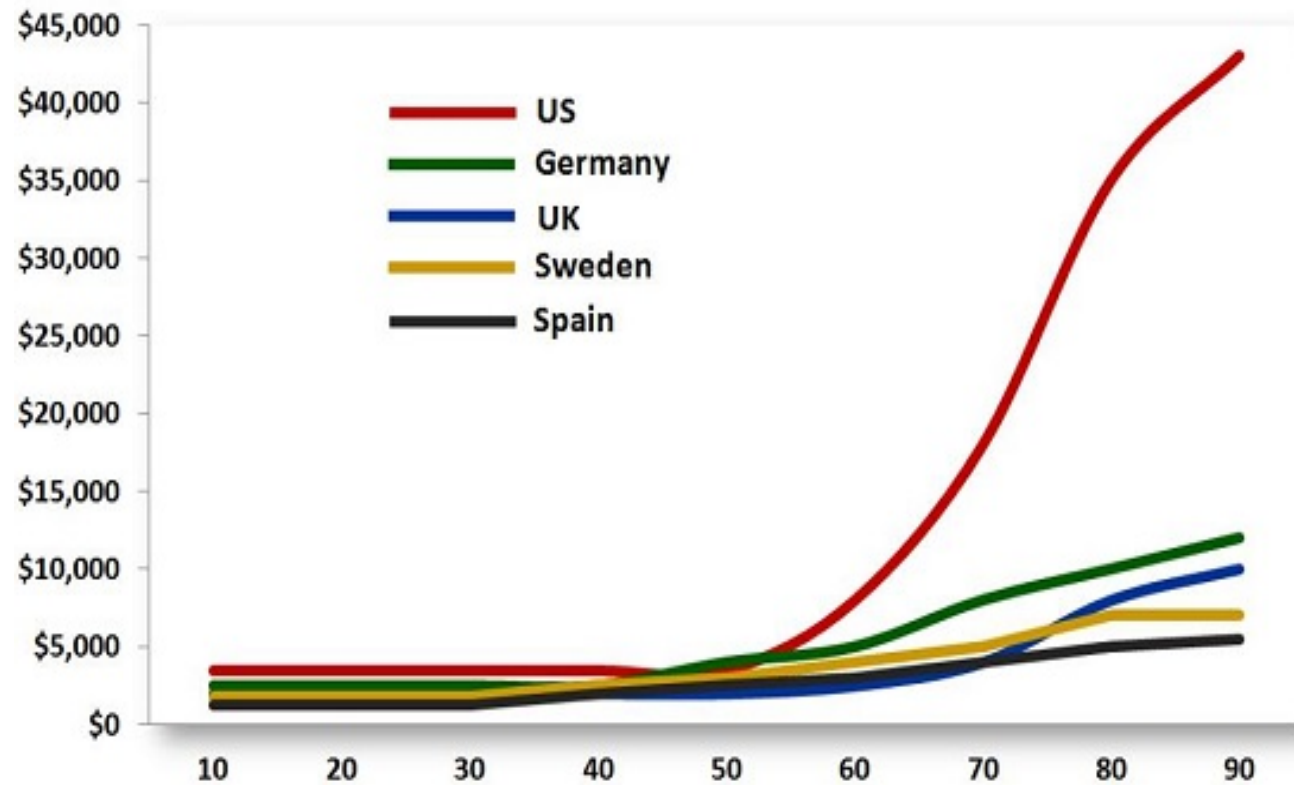
UNHEALTHY BEHAVIOR & LIFESTYLES

Source: American Heart Association

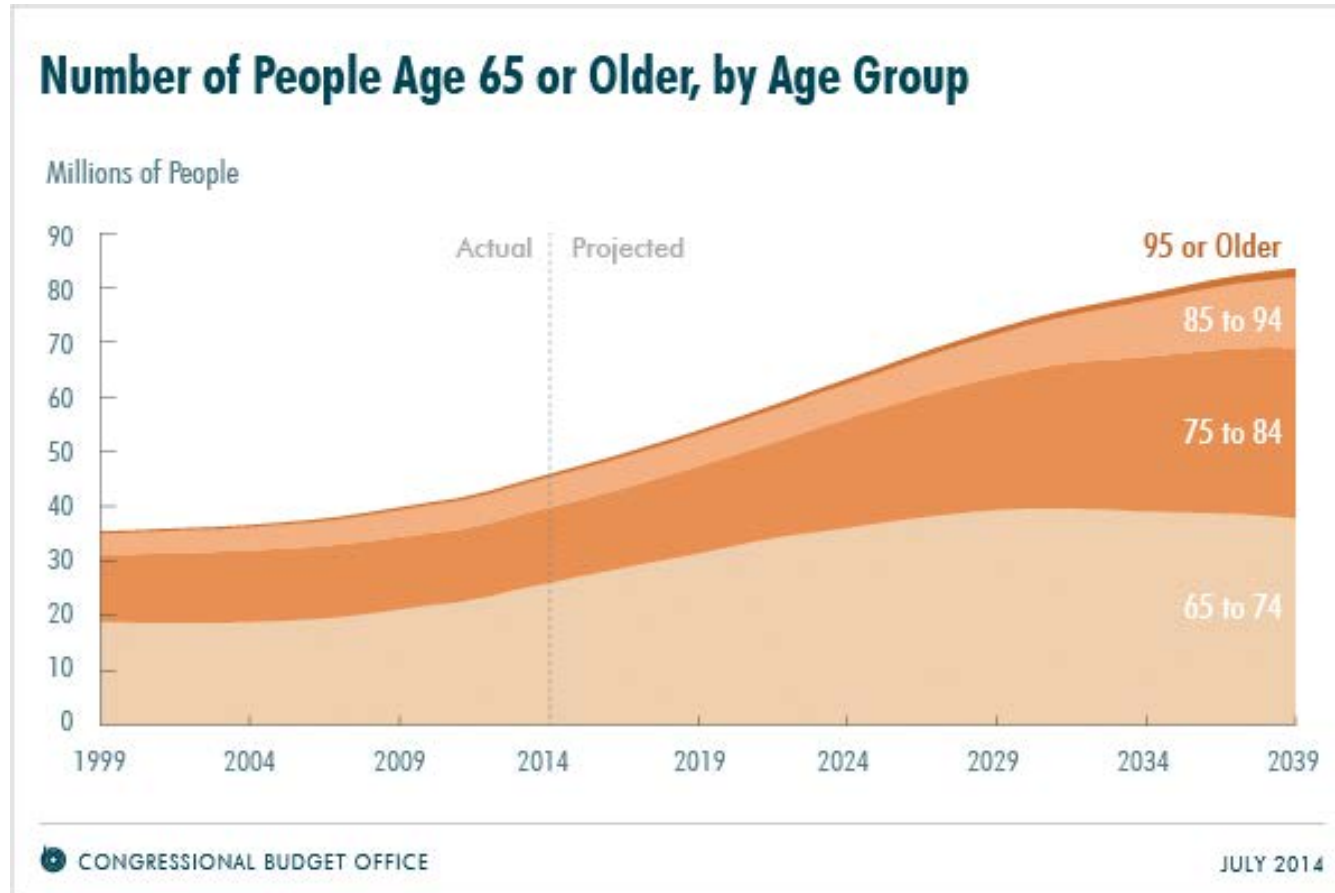


AGING POPULATION...

Annual Per Capita Healthcare Costs by Age

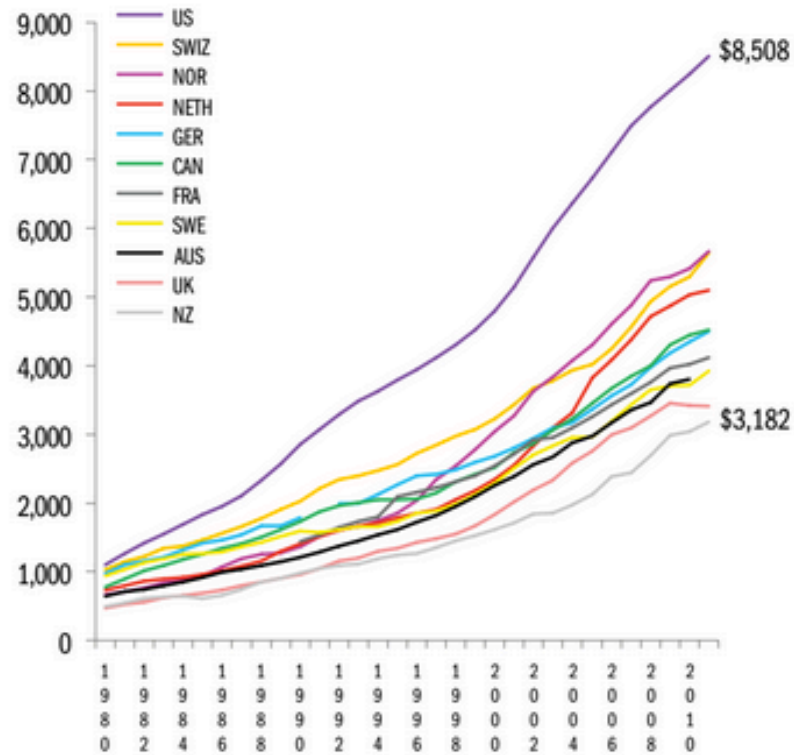


AGING POPULATION...

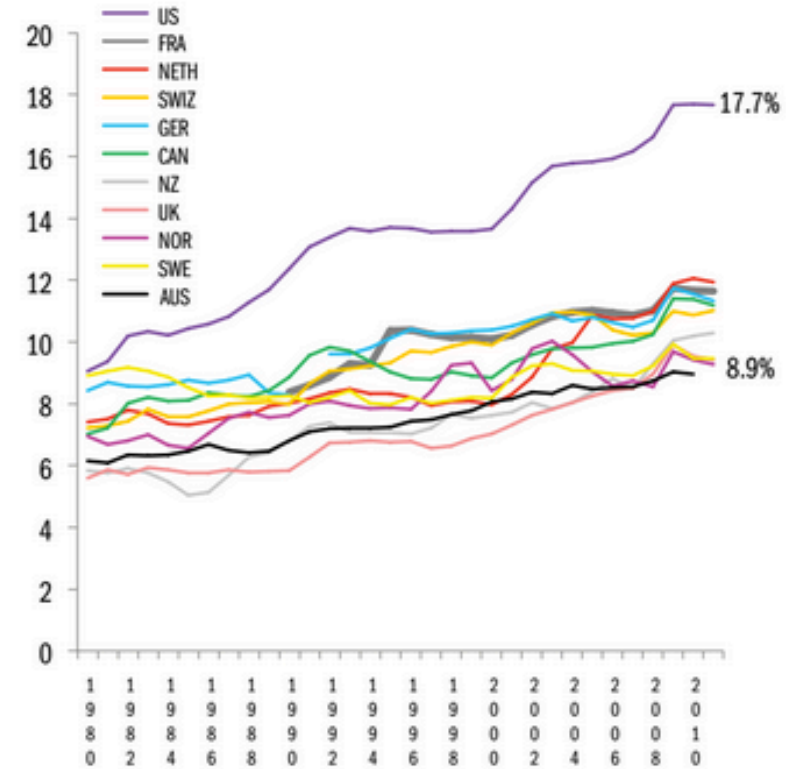


HIGHER EXPENDITURES IN THE UNITED STATES

Average spending on health per capita (\$US PPP)



Total expenditures on health as percent of GDP



Note: \$US PPP = purchasing power parity.

Source: Organization for Economic Cooperation and Development, OECD Health Data, 2013 (Paris: OECD, Nov. 2013).

HIGHER
EXPENDITURES
DO NOT EQUATE
TO LONGER LIFE
SPAN

WORLD HEALTH

Every country in the world approaches health care differently, but the end goal is the same: Keep citizens as healthy as possible at the lowest cost. Some countries spend a lot on health care, but don't see great benefits for those expenditures among their citizens. Others, at least by the metrics below, are finding ways to reach both goals. This is a look at 12 countries around the world that examines how far the money they spend on health care goes toward affecting the health of their citizens.



HEALTHCARE COST DRIVERS

- **Physician, facility and pharmaceutical cost**
- **Expensive technologies and procedures**
- **Fragmented and uncoordinated care**
- **Lack of cost consideration from patients**
- **Fee-for-service**
- **High administrative cost expenses**
- **Unhealthy behavior and lifestyle choices**
- **Expensive end-of-life care**
- **Provider consolidation**
- **Aging population**

List from Becker's Hospital Review and NAHU



Source: <http://www.slideshare.net/PayerFusion/10-drivers-of-healthcare-cost>

WHAT DOES THE FUTURE HOLD?

ACA

- Cost Sharing Reduction (CSR) eliminated
- Individual mandate — non-enforced
- Repeal or amendments to ACA?
- Transitional plans extended?
- Age rating for individuals and small groups if not extended
- Small group market
 - Shrinks due to ACA impacts - 10 EHBs, age rating, morbidity of pool

Health Care Reform

- Coordinated care
- Electronic medical records
- Delivery of care
 - Telehealth
 - Nurses, physician assistants
- **Payment reform**
 - Move away from fee for service
 - Prescription drug bulk purchasing

Prepaid Health Care Act

- **2026 - \$14,000** per person, **\$42,500** for family of 4,
If no changes are made to the cost curve

