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TO THE HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

TWENTY-NINTH LEGISLATURE  
Regular Session of 2017

Wednesday, April 5, 2017  
2:00 p.m.

**TESTIMONY ON HOUSE CONCURRENT RESOLUTION NO. 201, H.D. 1–  
REQUESTING THE INSURANCE COMMISSIONER TO REPORT ON ALTERNATIVE  
PAYMENT MODELS BY MEDICARE AND HEALTHCARE INSURANCE PLANS.**

TO THE HONORABLE ROY M. TAKUMI, 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 submits the following comments and concerns.

The purpose of this resolution is to request that the Insurance Division (“Division”) report on alternative payment models adopted by Medicare and local health insurance plans and analyze the impacts of alternative payment models on several variables including the quality and accessibility of healthcare for patients, the costs to operate independent healthcare provider businesses, clinics, and hospitals, and the sufficiency of provider reimbursement levels to ensure the viability of a provider’s business. The report would be due to the Legislature no later than twenty days before the convening of the Regular Session of 2018.

While the Insurance Division has data relating to health insurance plans, it does not have access to data relating to the costs to operate healthcare provider businesses, as referenced in the resolution on page 2, line 32. Similarly, the Division has very limited authority over Medicare plans with authority specific to Medicare Supplemental or Medigap plans.

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Furthermore, it is not clear exactly what payment models are included in the term “alternative payment models.” Without clarity on the meaning of this term, it is not possible to determine the full scope of the study requested by this resolution.

Additionally, the impact analysis and report modeling are beyond the scope of staff expertise and would require hiring an outside expert consultant at an estimated cost of \$250,000 or more. A different agency may be better suited to research and conducting a comprehensive report in line with the Committee’s inquiry.

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



An Independent Licensee of the Blue Cross and Blue Shield Association

April 5, 2017

The Honorable Roy M. Takumi, Chair  
The Honorable Linda Ichiyama, Vice Chair  
House Committee on Consumer Protection and Commerce

Re: HCR 201, HD1 – Requesting the Insurance Commissioner to Report on Alternative Payment Models by Medicare and Healthcare Insurance Plans

Dear Chair Takumi, Vice Chair Ichiyama, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HCR 201, HD1, which requests the Insurance Commissioner to analyze the impact of alternative payment model programs adopted by Medicare and local health plans. HMSA appreciates the intent of this Resolution, but we believe the study contemplated under this Resolution is premature, and we offer comments.

We began to pilot our payment transformation program in mid-2016, just a year ago. We slowly are rolling out the program in phases, and working in partnership with out providers, we continually are tweaking the program to address concerns raised by those participating providers.

HMSA is working together with provider organizations to support our members' relationship with their primary care provider and make it easier for them to take control of their own health and wellbeing. Under the current fee-for-service system, physician reimbursement is focused on treating people when they get sick. Providers are reimbursed for every office visit, every test, and every service the physician provides. It is based on physical office visits.

Under our new model, providers are afforded a global payment and additionally rewarded for helping their patients prevent serious illness and proactively help those with chronic health conditions. This model helps gauge member access to and satisfaction with their PCPs. It offers a system to measure the quality of care. Doctors can do what they really want to do – take the time to help people improve their health and health and advance the wellbeing of the community.

These changes are not being done in a void. As the Resolution noted, the Medicare program similarly has moved away from the Sustainable Growth Rate model for provider reimbursement and replaces it with either the Merit Incentive Payment System (MIPS) or other Advanced Alternative Payment Models (APMs), quality payment programs that, like HMSA's program, are built around merit-based incentive payment models.

HMSA was asked to participate in the CMS Comprehensive Primary Care Plus (CPC+) initiative along with 13 other states to improve the quality of care traditional Medicare patients receive, improve their health, and spend health care dollars more wisely. The CPC+ model includes three payment elements: Care Management Fee, a Performance-Based Incentive Program, as well as capped payment under the fee-for-service schedule. This program began three months ago, in January.

HMSA is involved with this because we want to work with our providers to safeguard the health and wellbeing, not only of our members, but of the community as a whole. That said, and given the infancy of our program and the CMS-authorized programs, it simply is too early for any kind of objective external review.

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

Sincerely,

Mark K. Oto  
Director, Government Relations

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, April 4, 2017 6:11 PM  
**To:** CPCtestimony  
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**Subject:** \*Submitted testimony for HCR201 on Apr 5, 2017 14:00PM\*

**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Chloe Liu	Individual	Support	No

Comments:

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**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Derek Ching	Individual	Comments Only	No

Comments: HMSA's capitated payment model will affect the health care of nearly every individual in Hawaii. External evaluation should be initiated to examine the benefits and unintended consequences of this far reaching payment model." This is a model that has been proven in adult medicine, but never in Pediatrics. There has been a pilot group of Pediatricians in this model and they have not shown to decrease total cost of care, reduce ER utilization, but it has shown to be a detriment to Physicians' moral and has helped to strip them of their independence and art of practicing medicine. This is a very slippery slope that HMSA is going down. This type of model does not reward hard work-extended office hours, working on holidays or weekends. This new method also does not account for the difference in cost of caring for a newborn who has at least 6-8 visits in their first year of life compared to an adolescent. This model also makes it very difficult for new physicians and has already deterred some Pediatricians from returning home to Hawaii. This alternative payment model also makes it difficult for different members of a group practice to cover one another or for a solo Physician to find someone to cover for them. There are also some legal issues that needs to be addressed such as those patients with dual coverage. If they submit to each insurance company, the physician may submit their claim of \$90 to HMSA and another insurance company, but only actually receiving \$30 from HMSA for that month. I am not sure how that will work with the claim submission to the other insurance company. This model also does not promote advancing technology in the office. If we invest in more accurate machines for testing for strept or influenza we will not be compensated by this model. There is already and sour taste in many Pediatricians mouths due to this change. We agree that a change may need to take place, but this is not the way and I again feel that this method does not encourage or reward those Physicians who work harder. This alternative payment model will also make it more difficult for patients with a complex medical history to find a physician since they will have to work a lot harder, but receive the same pay for a non-complex patient. In the end, many physicians may end up "cherry-picking" their patients. Finally, HMSA has not fully gathered the input of the general Pediatric community when instilling these changes. They have also not informed their members of the public about these changes and the potential ramifications it may cause.

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**Cc:** drfyoung@hawaiiantel.net  
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**HCR201**

Submitted on: 4/5/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Franklin Young, M.D.	Individual	Comments Only	No

Comments: The Healthcare Insurance Business like other insurance businesses is all about risk. The Healthcare Insurance companies are supposed to identify and analyze loss exposures and take steps to minimize the financial impact of the risks they impose. Their Capitated Payment Model shifts this risk management from the Healthcare Insurance Company to the Physicians who provide the care for their patients. The Capitated Payment Model requires the doctors to do an extraordinary amount of “paper work” in additions to providing quality healthcare while limiting their payment, in a time when expenses are rising. The Capitated Payment Model reminds me of a story 2000 years ago near the Sea of Galilee where 2 fishes and 5 loaves of bread fed 5000 people. Physicians are healer but I don’t know of any who do miracles. And it is a miracle that will be needed for the patients’ current high quality of healthcare to be maintained.

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**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Galen Chock	Individual	Support	No

Comments: HMSA's capitated payment model will affect the health care of nearly every individual in Hawaii. External evaluation should be initiated to examine the benefits and unintended consequences of this far reaching payment model

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**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jenny Welham	Individual	Support	No

Comments:

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**To:** CPCtestimony  
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**Subject:** Submitted testimony for HCR201 on Apr 5, 2017 14:00PM

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Submitted on: 4/5/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Joseph Gary Dela Cruz	Individual	Support	No

Comments: HMSA's capitated payment model will affect the health care of nearly every individual in Hawaii. External evaluation should be initiated to examine the benefits and unintended consequences of this far reaching payment model.

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**Sent:** Tuesday, April 4, 2017 8:57 PM  
**To:** CPCtestimony  
**Cc:** lorilyama@gmail.com  
**Subject:** Submitted testimony for HCR201 on Apr 5, 2017 14:00PM

**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lori Yamanaka	Individual	Support	No

Comments: I am a practicing Pediatrician in Honolulu. I, along with most of my colleagues, feel that HMSA's new payment system has been forced upon us. HMSA has make clear that should we opt to not participate, our payments will be frozen. In a community where HMSA holds a near monopoly of the insurance plans, most of our patients have HMSA, and healthcare costs continue to rise, this is obviously not viable. So as business owners, we are left with no choice but to participate. However we do this with great trepidation as there are many unanswered questions. Will this new payment model fairly compensate physicians, not only for direct patient care but for the administrative burden it's created ? Can this model, used mostly for adult medicine practices on the mainland, also be applied to Pediatrics? How will this affect the quality of patient care? There is no question that healthcare costs need to be contained. But we cannot embark on such a large change to our local health care system without having a better understanding of it's implications. There must be an evaluation by an objective third party, something only the Insurance Commissioner can provide. Please vote in support of this resolution. Thank you.

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Submitted on: 4/5/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael H.T. Sia, MD, MPH, FAAP	Individual	Support	No

Comments: HMSA's capitated payment model will affect the health care of every individual in Hawaii. External evaluation should be initiated to examine the benefits and unintended adverse consequences of this untested payment model. The model also discourages new doctors who wish to pursue private independent practices due to the negative impact of administrative burdens.

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Submitted on: 4/4/2017

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<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Shelley Loui	Individual	Support	No

Comments: I am a practicing pediatrician in Honolulu and I am concerned that HMSA's new payment model will adversely affect health care in Hawaii. I highly support this resolution for the insurance commissioner to closely examine this new model of payment and give recommendations. Thank you.

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**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephen S. Yano MD	Individual	Support	No

Comments: HMSA will unilaterally change medical care in Hawaii forever. As such a dominant insurer in our state this sudden change in payments to primary care physicians will have unforeseen and disasterous effects on patient care around our state. As a pediatrician I can say that payment transformation and capitated payments is a uniquely inappropriate form of payment for Pediatric services. HMSA has been unilateral, forceful and not fully forthcoming as they unilaterally have decided that this change in service payment WILL HAPPEN. Over site by the Insurance Commissioner is VITAL and NECESSARY because the effects upon patient care will be state-wide and disasterous for our patients. The ever tightening shortage of primary care physicians will be worsened. Already, physicians in training know that should not come home to Hawaii to practice primary care due to the huge, unilateral payment changes implemented by HMSA upon practicing physicians in the state of Hawaii. I urge the passage of this resolution. As a practicing physician for over 30 years I know that the effects of these changes in payment will result in further physician shortage, increased physician burn out and threaten good patient care. Certainly a review by an outside authority would be indicated.

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**HCR201**

Submitted on: 4/4/2017

Testimony for CPC on Apr 5, 2017 14:00PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Vince Yamashiroya, MD	Individual	Support	No

Comments: I am a primary care pediatrician practicing in Honolulu and am deeply concerned with HMSA's new payment model. I feel that it is placing a great amount of administrative burden on my practice, unfairly compensating me for the work I am doing in taking care of my patients, and has created undue stress. I also feel that HMSA's payment transformation has contributed to the current doctor shortage, with physicians moving to concierge care, retiring early, or moving out of state. I would highly encourage you to support this resolution for the insurance commissioner to closely examine this new model of payment and to give recommendations. Thank you.

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