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LATE TESTIMONY

Testimony of
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Before:
Senate Committee on Commerce, Consumer Protection, and Health
The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair

February 13, 2017
10:30 a.m.
Conference Room 229

Re: SB385 Relating to Insurance

Chair Baker, Vice Chair Nishihara, and committee members, thank you for this opportunity to provide testimony on SB385, which authorizes insurers, mutual benefit societies, and health maintenance organizations to offer, sell, or renew a high deductible health plan ("HDHP") in conjunction with a health savings account ("HSA") to an employer subject to the Prepaid Health Care Act together with a prepaid health care plan insurance policy.

Kaiser Permanente Hawaii supports the intent and offers the following COMMENTS on SB385.

Kaiser Permanente Hawaii supports consumer choice through the establishment of HSAs, and recognizes the advantages of allowing employers to choose a lower premium (higher deductible) health plan, while allowing consumer to choose how to spend his or her health care expenses, which presumably makes consumers more responsible for health care choices by funding their own health care expenses.

To receive the benefits of an HSA, the law requires that the HSA be combined with a qualified HDHP. Although an HSA works in conjunction with a HDHP, both are recognized as *separate* components under the law. An HSA is the *financial component* (essentially a bank account that allows you to save and pay for eligible health care expenses), which is sponsored *by* the employer group. Meanwhile, the HDHP is the *insurance component*, which requires health insurers to offer a qualified high deductible health plan to use with an HSA. This HDHP is designed to offer a lower monthly premium in turn for more shared health care costs by the member.

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Kaiser Permanente Hawaii seeks clarification on the following provisions of SB385:

1. On page 2, lines 5, 11; page 4, lines 10-11, 16; and page 6, line 21 to page 7, line 1: We seek clarification on what “in conjunction with a health savings account” means? Does this mean an employer’s *only obligation* is to “offer” a prepaid plan but an employer does not need to mandate those prepaid benefits to the employee? It is our understanding that a HDHP/HSA works when employers are mandated to sell a prepaid plan and give employees the full prepaid benefits *but also* layer on top of the prepaid rules a HSA qualified deductible sponsored by the employer.

2. We note that the SB385 does not include language that requires the employer to subsidize the amount greater than the prepaid limit. We seek clarification if SB385 should stipulate “minimum HDHP requirements”?

3. On page 3, line 1-4 and page 5, line 7-10: We seek clarification on the following provision, “[i]f this section or any provision of this section conflicts with any federal law, then the federal law shall prevail and this section [. . .] shall become invalid and void.”

Mahalo for the opportunity to testify on SB385. Your consideration our comments is appreciated.

February 10, 2017

The Honorable Roslyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair

Re: SB 385 – Relating to Insurance

Dear Chair Baker, Vice Chair Nishihara and Members of the Committee:

My name is Howard Lee and I am President and Chief Executive Officer of University Health Alliance (UHA), a Hawaii mutual benefit society.

UHA appreciates the opportunity to testify in support of SB 385. This bill would give employers in the state an option to offer, in addition to the current plans they offer their employees, a Hawaii version of a health savings account (HSA). For those employees that select this Hawaii HSA, the employees would receive employer contributions to their HSAs. The HSA funds can then be used on a tax-free basis to pay or reimburse qualified medical expenses, and the contributions can be accumulated over the years tax-free.

We would respectfully request the Committee see fit to pass this measure. Thank you for the opportunity to testify today.

Sincerely,

Howard Lee
President and CEO

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The Twenty-Ninth Legislature
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THE SENATE
Committee on Commerce, Consumer Protection, and Health
Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair
State Capitol, Conference Room 229
Monday, February 13, 2017; 10:30 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 385
RELATING TO INSURANCE

The ILWU Local 142 **opposes** S.B. 385, which authorizes insurers, mutual benefit societies, and health maintenance organizations to offer, sell, or renew, on or after January 1, 2018, a high deductible health plan in conjunction with a Health Savings Account to an employer subject to the Prepaid Health Care Act together with a prepaid health care plan insurance policy.

As we understand this bill, S.B. 385 proposes to allow high-deductible health plans with Health Savings Accounts (HSAs) to be offered, sold or renewed to employers as long as Prepaid Health Care plans are also made available. We OBJECT to this proposal for the following reasons.

First, regardless of the amount of money available in an HSA, a high deductible plan still means the patient must pay for all services up to the deductible amount before the plan pays anything. That could easily lead an employee to forgo necessary medical services because of the required out-of-pocket costs. Even if the HSA has ample funds to cover the deductible, many may be reluctant to tap into the HSA, thinking that the HSA should be reserved for catastrophic needs rather than routine medical care.

Second, forgoing preventive services or routine check-ups could result in a patient waiting to have a condition checked or treated until it does become catastrophic. Delayed treatment usually means higher health care costs in the long run and less satisfactory outcomes for the patient.

Third, if both a high deductible plan and a Prepaid Health Care plan are offered, adverse selection is likely to occur. Healthier employees, who do not need medical services, may be lured by the prospect of tax savings with HSAs and enroll in a high deductible plan while their not-so-healthy coworkers will have no choice but to stay with the employer's Prepaid Health Care plan, which will very likely cost more.

Fourth, the high deductible plan may have an impact on the prevalent plan under the Prepaid Health Care Act. The prevalent plan is based on identifying the plan with the greatest number of enrolled individuals. If fewer people enroll in the plan with better benefits (i.e., no deductible), the standard will be eroded and the prevalent plan will become the one with lesser benefits (i.e., high deductible).

Fifth, the bill is unclear as to who makes contributions to the HSA. If the employer contributes, then more employees may want to sign up for the high deductible plan, which may ultimately be an unwise decision for the reasons given above. If employee contributes, a high deductible plan has very little value other than possible tax savings.

Sixth, consumer education is vital for this program to work and for employees to make informed decisions. However, employees may disregard the education (or not understand what is shared, especially given Hawaii's multi-lingual, multi-cultural population) and see only the money that can accumulate in an HSA and potential tax advantages.

We see very few, if any, positives and so many negatives to this proposal. The ILWU urges that S.B. 385 be **HELD**. Thank you for the opportunity to share our views and concerns.