



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Health
Thursday, January 31, 2019
9:30 a.m.
State Capitol, Conference Room 329**

**On the following measure:
H.B. 1464, RELATING TO HEALTH**

Chair Mizuno and Members of the Committee:

My name is Colin Hayashida, and I am the Insurance Commissioner of the Department of Commerce and Consumer Affairs' (Department) Insurance Division. The Department opposes this bill.

The purpose of this bill is to require the Insurance Commissioner to perform a study on capitated payment rates in Hawaii that compares the payment model in Hawaii with the payment models in other states and examines several variables, including: the quality and accessibility of healthcare for patients; the quality and accessibility of primary care physician services; the costs to operate independent healthcare provider businesses, clinics, and hospitals; the sufficiency of provider reimbursement levels to ensure the viability of a provider's business; and the correlation, if any, between increases in the minimum wage and increases in capitated payment rates in other states.

The Department is concerned the study proposed in this measure would require accessing the data of all parties named in the bill, as the Insurance Division has no regulatory authority over healthcare providers, such as independent providers, clinics, and hospitals. Additionally, the study, impact analysis, and modeling are beyond the scope of staff expertise and would require hiring outside experts or consultants at an estimated cost of \$250,000 or more.

Thank you for the opportunity to testify on this bill.



HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814
Phone (808) 536-7702 Fax (808) 528-2376
www.hawaiimedicalassociation.org

To:
HOUSE COMMITTEE ON HEALTH
Rep. John Mizuno, Chair
Rep. Bertrand Kobayashi, Vice Chair

Date: January 29, 2019
Time: 8:30 a.m.
Place: Room 329
From: Hawaii Medical Association
Jerry Van Meter, MD, President
Christopher Flanders, DO, Executive Director

Re: HB 1464 – Relating to Health
Position: SUPPORT

On behalf of Hawaii's physician and student members, the HMA is in support of HB 1464 dealing with studying models of payment to providers of health care.

As the state of Hawaii looks to improve the delivery of health care services, while containing costs, we must remain mindful and vigilant of the effects programs may have on the system overall. Hawaii has demonstrated to the nation that improving access to health care can reduce costs and improve overall health for a population. As we implement changes in delivery, the effects of these changes need to be monitored to ensure balance between cost and access is maintained.

House Bill 1464 calls for such action – to study the effects of a large-scale change in provider payment. One such program has been in wide effect for two years, and data should be available. Is a program that significantly alters the way payment is delivered to health care providers ensuring that the cost-access balance is maintained?

The Physician Workforce Assessment done by the John A Burns School of Medicine is reporting, for the first time, a decrease in the overall number of physicians providing care in Hawaii. The Hawaii Medical Association is receiving reports by physicians that they are struggling to meet their costs of providing care under this new payment plan. An analysis is not available as to whether there is a cause-effect relationship between the decrease in providers and this payment plan, nor whether this plan has demonstrated benefit to the state's population. This is important to the state overall, but also as an employer providing health care benefits to its workers.

The Hawaii Medical Association supports the passage of HB 1464 that would conduct such a study. Thank you for allowing testimony on this issue.

HMA OFFICERS

President – Jerry Van Meter, MD President-Elect – Michael Champion, MD Secretary – Thomas Kosasa, MD
Immediate Past President – William Wong, Jr., MD Treasurer – Elizabeth A. Ignacio, MD
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LATE

January 30, 2019

The Honorable John M. Mizuno, Chair
The Honorable Bertrand Kobayashi, Vice Chair
House Committee on Health

Re: HB 1464 – Relating the Health

Dear Chair Mizuno, Vice Chair Kobayashi, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1464, which requires the Insurance Commissioner to perform a study on capitated payment rates in Hawaii that compares the payment model in Hawaii with the payment models in other states.

HMSA would like to express concerns and offers comments on this measure. Under HMSA's merit-based incentive payment model, providers are afforded a global payment with additional rewards for helping their patients prevent serious illness and proactively helping those with chronic health conditions. This model helps gauge member access to and satisfaction with their primary care providers (PCPs) and offers a system to measure the quality of care provided. Doctors can do what they really want to do — help people improve their health and advance the wellbeing of the community. Doctors are compensated whether they see the patient or not.

These changes are not being done in a void. The Medicare program similarly has moved away from the Sustainable Growth Rate model for provider reimbursement and replaces it with a quality payment program under the Medicare Access and CHIP Reauthorization Act (MACRA) which, like HMSA's program, is built around merit-based incentive payment models.

Since implementing payment transformation, we have been working to improve the process for our providers and members. We appreciate the intent to understand this new and evolving model of healthcare; however, we do not believe that conducting a study and developing a report of findings and recommendations should be the responsibility of the Insurance Commissioner.

Thank you for the opportunity to testify on this measure.

Sincerely,

Pono Chong
Vice President, Government Relations

January 31, 2019

LATE

The Honorable Rep. John Mizuno, Chair
Health Committee
Hawaii State Capitol
415 South Beretania Street, Room 402
Honolulu, HI 96813

Dear Chair Mizuno and members of the Committee:

I am in strong support of **House Bill 1464 Relating to Health** which will be heard by the Health Committee on January 31, 2019.

There is strong evidence to suggest that a lack of adequate reimbursement rates is among several factors for Hawaii's acute physician shortage. HB 1464 addresses this shortfall by requiring the Insurance Commissioner to perform a study on capitated payment rates in Hawaii that compares the payment model in Hawaii with the payment models in other states.

Currently, primary care physicians receive a portion of their reimbursement under certain insurance plans as a capitated rate of \$24 per-member-per-month. This \$24 per-member-per-month rate has not changed despite increasing costs to live and practice in Hawaii and statewide increases in the minimum wage. Based on this rate, a solo practitioner must work over 200 hours per month and care for over 1,500 patients to receive a fair and reasonable salary, not including costs for overhead, staff, or supplies.

Furthermore, more insurance companies are moving away from a fee-for-service model of reimbursement and towards capitated payments, a move that may negatively impact patient care by encouraging doctors to see fewer patients, discourage them from accepting new patients, or cause doctors to leave Hawaii to practice in other states with a lower cost of living and a higher capitated payment rate.

The time is now to address Hawaii's physician shortage, which continues to worsen as more doctors reach retirement age or leave Hawaii for other states where the cost of running a business is much lower.

Therefore, I respectfully ask that your committee pass HB 1464 which is one way to reduce our state's physician shortfall, particularly in rural and underserved areas on the neighbor islands.

Sincerely,

Mary Ann Cortes
401 North Vineyard Blvd. #107
Honolulu, HI 96817
Tel. (805) 402-5452