

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 6, 2022

TO: The Honorable Representative Ryan I. Yamane, Chair
House Committee on Health, Human Services, & Homelessness

FROM: Cathy Betts, Director

SUBJECT: **HB 1384 – RELATING TO MEDICAL LOSS RATIOS.**

Hearing: Tuesday, February 8, 2022, 9:00 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments.

PURPOSE: The purpose of the bill requires each managed care organization to annually report its medical loss ratio (MLR) to the department of human services.

This bill is unnecessary as it is redundant of a federal regulation, 42 CFR section 438.8, that already requires managed care plans' medical loss ratios to be calculated and reported. The plans must report the medical loss ratios to the DHS Med-QUEST Division and the Centers for Medicare and Medicaid Services. Although the generic definition in this bill currently does not conflict with the federal statute, in the future, if the federal regulation were to change, misalignment between the federal and state regulations could emerge.

Thank you for the opportunity to provide comments on this measure.



February 5, 2022

The Honorable Ryan I. Yamane, Chair
The Honorable Adrian K. Tam, Vice Chair
House Committee on Health, Human Services, & Homelessness

Re: HB 1384 – Relating to Medical Loss Ratios

Dear Chair Yamane, Vice Chair Tam, and Committee Members:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1384, which beginning on January 1, 2022, requires each managed care organization to annually report its medical loss ratio to the department of human services.

HMSA respectfully opposes this measure as written. HMSA already reports medical loss ratios for all lines of business including annual reporting on commercial medical loss ratios to the Insurance Division of the Department of Commerce and Consumer Affairs (DCCA). Separate reporting on Medicare and QUEST medical loss ratios are also made to those respective regulatory bodies. Moreover, the Department of Human Services payments to managed care organizations are required by federal regulations to be actuarially sound for the services we provide and are approved by the Centers for Medicare and Medicaid Services (CMS). We therefore do not believe adding an additional layer of medical loss ratio reporting is necessary and respectfully oppose this measure.

Thank you for allowing us to testify on HB 1384. Your consideration of our comments is appreciated.

Sincerely,

Matthew W. Sasaki
Assistant Vice President
Government & External Relations



February 6, 2022

To: The Honorable Ryan I. Yamane, Chair,
The Honorable Adrian K. Tam, Vice Chair, and
Members of the House Committee on Health, Human Services, and Homelessness

Re: **HB 1384 – RELATING TO HEALTH**

Hearing: Tuesday, February 8, 2022, 9:00 a.m., Room 329 & videoconference

Position: Strong support, with amendments

Aloha Chair Yamane, Vice Chair Tam, and members of the House Committee on Health, Human Services and Homelessness:

The Health Committee of the Democratic Party of Hawai'i strongly supports HB 1384 with amendments. This measure would require each managed care organization to annually report its medical loss ratio to the department of human services beginning on January 1, 2022.

The Health Committee of the Democratic Party of Hawai'i strongly supports this bill as it will provide a more detailed accounting of taxpayer dollars that fund our Medicaid system under the department of human services.

Our research, however, notes that the Affordable Care Act allows expenses not directly related to healthcare, called “quality improvement” and “medical management” to be included as part of actual health care, and we have found that the resulting administrative burdens imposed on providers of care often actually diminish quality and increase the cost of health care.

We have a growing doctor shortage, rising hospital costs, poorer patient access, and rising premiums. States that have limited insurance industry participation to purely administrative functions show much improved provider participation, better patient access, more timely access, more efficient payments, and lower costs by a substantial margin – all of which represent truly improved medical performance.



February 6, 2022
HB 1384 – Medical Loss Ratios
Page 2

To avoid falling into a nationwide pattern of misleading insurance statistics, the Health Committee recommends amending this bill to distinguish between actual medical care and the administrative overburden.

If the Committee adopts our suggested amendments, this bill would require MCOs to differentiate between actual health care services, “quality improvement,” “medical management,” and administrative services. This requirement would much better achieve transparency and accuracy in the distribution of general funds for the State’s Medicaid program.

Fundamentally, the people of Hawai‘i need to know, and have every right to know, what extra costs the private health insurers take from the Medicaid program, and how the Hawai‘i Medicaid program can be managed to more effectively improve services to clients, treat the medical professionals better, and save taxpayer money overall.

For these reasons, we humbly suggest that Section 1 of this bill be amended to add a new section to HRS Chapter 346 to read as follows:

§346- Managed care organization; medical loss ratio.

Beginning on January 1, 2023, each managed care organization shall annually report its medical loss ratio to the department.

As used in this section, “medical loss ratio” means the proportion of revenues received by the managed care organization that is spent on clinical services and quality improvement. For purposes of medical loss ratio reporting, the amounts shall be reported as:

- (A) Amounts paid for direct health care services, including laboratory and other testing services; and separately



February 6, 2022
HB 1384 – Medical Loss Ratios
Page 3

(B) Amounts paid for administrative services, including medical management and quality improvement, as defined pursuant to regulations supporting the federal Patient Protection and Affordable Care Act.

[End quote.]

Thank you very much for the opportunity to testify on this very important bill. Please pass it with amendments.

Respectfully yours,

/s/ Melodie R. Aduja

Melodie R. Aduja
Chair, Health Committee
Democratic Party of Hawai'i
Contact: legislativepriorities@gmail.com (808) 258-8889

/s/ Stephen B. Kemble, M.D.

Stephen B. Kemble, M.D.
Member of the Hawai'i Health Authority and
Member of the Health Committee
Democratic Party of Hawai'i

/s/ Marion Poirier, R.N.

Marion Poirier, R.N.
Vice Chair, Health Committee
Democratic Party of Hawai'i and
Member of the Hawai'i Health Authority

/s/ Alan B. Burdick, Esq.

Alan B. Burdick, Esq.
Treasurer, Health Committee
Democratic Party of Hawai'i

HOUSE OF REPRESENTATIVES
THE THIRTY-FIRST LEGISLATURE
REGULAR SESSION OF 2022

COMMITTEE ON HEALTH, HUMAN SERVICES, & HOMELESSNESS

Rep. Ryan I. Yamane, Chair
Rep. Adrian K. Tam, Vice Chair

Rep. Cedric Asuega Gates Rep. Scott Y. Nishimoto
Rep. Sharon E. Har Rep. Gene Ward
Rep. Jeanne Kapela

NOTICE OF HEARING

DATE: Tuesday, February 8, 2022
TIME: 9:00AM
PLACE: VIA VIDEOCONFERENCE
 Conference Room 329
 State Capitol
 415 South Beretania Street

Position: Strong support, with amendments

The intent of this bill is to force the HMO's mismanaging Medicaid to be more forthcoming with how they report the administrative costs which they are allowed to classify as medical. It would also be instructive to see a graph over the past 15 years showing the increase in administrative spending. That graph will go up and at the same time the number of physicians in Hawaii can be observed to go down.

We are literally allowing health policy which is driving physicians out of business to be our status quo. HB1384 will shed light on this by forcing the HMO's to itemize their quality improvement metrics and their medical management costs inside their MLR.

When the public can see how much is being spent on the paper work make-work of quality improvement metrics then they will understand why physicians can't afford to remain in business. This should lead to replacing today's complex health insurance bureaucracy with an administratively simple financing system. Examples abound, internationally, and in the USA Connecticut is a prime example.

This is how we can start to improve healthcare in Hawaii for everyone, and significantly lower costs at the same time.

Thank you for your time,

Dennis B Miller

www.m4ahi.org



Restore the Commons

Tuesday, February 5, 2022, 9:00 a.m.

House Committee on Health, Human Services, and Homelessness

Re: HB 1384 – RELATING TO MEDICAL LOSS RATIO

Position: Strong support, with amendments

Me ke Aloha Chair Yamane, Vice Chair Tam, and members of the House Committee on Health, Human Services and Homelessness:

HB 1384 requires each managed care organization to annually report its medical loss ratio to the department of human services beginning on January 1, 2022.

As a taxpayer, insured patient of health care, and concerned citizen, I strongly support the provision of a more detailed accounting of taxpayer dollars that fund our Medicaid system under the Department of Human Services.

As a member of the Health Committee of the Democratic Party, I have labored to bring the benefits of years of research into this situation to health care providers, legislators at both county and State level, and the general public, and unfortunately being rebuffed at the crucial stage in this Legislature by disinterest or contrary interest. Nationwide research notes that the Affordable Care Act allows expenses not directly related to healthcare, called “quality improvement” and “medical management” to be included as part of actual health care, and that these bulging administrative practices actually diminish the quality of health care. Hawaii has a growing doctor shortage, rising hospital costs, poorer patient access, and rising premiums. States that have limited insurance industry participation to purely administrative functions show much improved provider participation, better patient access, more timely access, more efficient payments, and lower costs by a substantial margin – all of which represent truly improved medical performance.

To avoid falling into a nationwide pattern of misleading insurance statistics, please amend this bill to distinguish between actual medical care and the administrative overburden.

If adopted, these suggested amendments would require MCOs to differentiate between actual health care services, “quality improvement,” “medical management,” and administrative services. This requirement would much better achieve transparency and accuracy in the distribution of general funds for the State’s Medicaid program.

The people of Hawai’i have every right to know what extra costs the private health insurers take from the Medicaid program, and how the Hawai’i Medicaid program can be managed to more effectively improve services to clients, treat the medical professionals better, and save taxpayer money overall.

The amendments are these:

§346- Managed care organization; medical loss ratio.

Beginning on January 1, 2023, each managed care organization shall annually report its medical loss ratio to the department.

As used in this section, “medical loss ratio” means the proportion of revenues received by the managed care organization that are spent on clinical services and quality improvement. For purposes of medical loss ratio reporting, the amounts shall be reported as: (please see following page)

- (A) Amounts paid for direct health care services, including laboratory and other testing services;
- (B) Amounts paid for quality improvement, as defined pursuant to regulations supporting the federal Patient Protection and Affordable Care Act; and
- (C) Amounts paid for administrative services, including a breakdown of:
 - (i) Medical management administrative costs; and
 - (ii) Payment reform administrative costs; and
- (D) Amounts paid to providers of health care services.

Mahalo for the opportunity to address this important issue.

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Charley Ice, Hoa'āina; and member of the Health Committee of the Hawaii Democratic Party



February 8, 2022

The Honorable Ryan I. Yamane, Chair
The Honorable Adrian K. Tam, Vice Chair
House Committee on Health, Human Services, & Homelessness

House Bill 1384 – Relating to Medical Loss Ratios

Dear Chair Yamane, Vice Chair Tam, and Members of the Committee:

The Hawaii Association of Health Plans (HAHP) appreciates the opportunity to provide testimony in **opposition** to HB 1384. HAHP is a statewide partnership of Hawaii’s health plans and affiliated organizations to improve the health of Hawaii’s communities together. The vast majority of Hawaii residents receive their health coverage through a health plan associated with one of our organizations.

HAHP respectfully opposes this measure as written. Health care plans are required to report medical loss ratios for commercial, Medicare, and QUEST lines of business to their respective regulatory bodies. Moreover, payments made by the Department of Human Services to managed care organizations are required by federal regulations to be actuarially sound and approved by the Centers for Medicare and Medicaid Services (CMS). HAHP therefore opposes this measure as we do not believe another layer of reporting for medical loss ratios is necessary.

Thank you for allowing us to provide testimony on HB 1384.

Sincerely,

HAHP Public Policy Committee

cc: HAHP Board Members

hahp.org | 818 Keeaumoku St., Honolulu, HI 96814 | info@hahp.org

HB-1384

Submitted on: 2/7/2022 1:55:46 PM

Testimony for HHH on 2/8/2022 9:00:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Brandt	Individual	Support	No

Comments:

Chair Yamane, Vice Chair Tam, and members of the House Committee on Health, Human Services and Homelessness:

I strongly support this bill, for the reasons cited in testimony submitted by the Hawaii Democratic Health Committee as quoted below.

"The Health Committee of the Democratic Party of Hawai'i strongly supports HB 1384 with amendments. This measure would require each managed care organization to annually report its medical loss ratio to the department of human services beginning on January 1, 2022.

If amended as suggested, this bill "will provide a more detailed accounting of taxpayer dollars that fund our Medicaid system under the department of human services.

"The Affordable Care Act currently allows expenses not directly related to healthcare--called "quality improvement" and "medical management"--to be included as part of actual health care, and we have found that the resulting administrative burdens imposed on providers of care often actually diminish quality and increase the cost of health care.

"We have a growing doctor shortage, rising hospital costs, poorer patient access, and rising premiums. States that have limited insurance industry participation to purely administrative functions show much improved provider participation, better patient access, more timely access, more efficient payments, and lower costs by a substantial margin – all of which represent truly improved medical performance.

"To avoid falling into a nationwide pattern of misleading insurance statistics, the Health Committee recommends amending this bill to distinguish between actual medical care and the administrative overburden.

"If the Committee adopts our suggested amendments, this bill would require MCOs to differentiate between actual health care services, "quality improvement," "medical management," and administrative services. This requirement would much better achieve transparency and accuracy in the distribution of general funds for the State's Medicaid program.

"Fundamentally, Hawaii's taxpayers need to know, and have every right to know, what extra costs the private health insurers take from the Medicaid program, and how the Hawai'i Medicaid program can be managed to more effectively improve services to clients, treat the medical professionals better, and save taxpayer money overall."

Thank you for the opportunity to offer these comments.

Aloha,

Thomas Brandt