

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 1086**

**February 12, 2021
1:00 p.m.
Via Videoconference**

RELATING TO THE HAWAII HEALTH AUTHORITY

The Department of Budget and Finance (B&F) supports Senate Bill (S.B.) No. 1086.

S.B. No. 1086 is an Administration Proposal that repeals Chapter 322H, HRS, to abolish the Hawai'i Health Authority (HHA).

HHA was established by Act 11, SLH 2009, to develop a comprehensive plan to provide universal health care in Hawai'i, and in 2011, HHA presented a roadmap that would leverage the Affordable Care Act to transition Hawai'i from its existing health care system to an "all-payer" system. HHA has been an inactive agency since its last appointees' terms expired in June of 2015, while the State Health Planning and Development Agency and the Health Care Innovation Office have continued to conduct comprehensive health planning activities for the State; therefore, abolishing HHA will streamline health planning and policy management without negatively impacting ongoing efforts to promote accessibility of quality health care services at a reasonable cost for all people of the State of Hawai'i.

Thank you for your consideration of our comments.

The Honorable Senator Jarrett Keohokalole, Chair

The Honorable Rosalyn H. Baker, Vice Chair, and
Members of the Senate Committee on Health

Re: S.B. 1086 – Relating to the Hawaii Health Authority

Hearing: Friday, February 12, 2021, 1:00 p.m. via videoconference

From: Dennis B Miller

Position: STRONG OPPOSITION

Aloha, Senators Keohokalole, Baker, and Members of the Committee!

When former health insurance commissioner Gordon Ito announced in 2017 that health insurance rates were speeding towards a bill of \$42,000 per year for a family of four by 2026, why did members of the legislature and other state health insurance officials decline to consider that just maybe one possible cause of the increase in costs might be due to HMSA's full commitment to a more labor intensive form of reimbursement, coupled with similar pivots towards admin-complexity in both Medicaid and Medicare?

(MACRA was inflicted on Medicare in 2015, adding the same Value Based Payment scheme into the formerly admin-simple Medicare. As a result, in 2016, 47% of physicians in Hawaii refused to accept new Medicare patients. Defenders of HMSA's VBP choice are defending a system that 47% of physicians in Hawaii rejected in 2017.

Why? Defenders of accepting the RFP for MQD are blithely ignoring the stark fact that physicians in Hawaii are quitting their practice partly because MQD's MCO's price them out with costly admin requirements. Why sign a new six-year contract with a system that is unaffordable? Have you spoken with any Dr's who accept Medicaid? Have you spoken with any person with Medicaid who needs to find a medical specialist, or who just wants an in person Dr's visit because he's an older guy who doesn't want to learn the tele-health ap? Please do so. They will tell you what MQD officials won't; that the current system needs fixing.)

These are challenges which the Hawaii Health Authority has the statutory authority to remedy, but first, Hawaii State officials have to take the time to learn that simplifying health insurance administration is the key to lowering costs and improving access.

When officials in the MedQuest Department claim that "there is very little, if any, savings to be had from administrative simplification because 93% of Medicaid's MCO's budget is spent on healthcare, leaving only 7% for admin," please question that figure. Please ask to see the balance sheets because that figure includes Medical Management

costs, which ARE NOT healthcare, and so that figure is not honest, but it is used to misinform members of the legislature, the Governor, and the public.

The laws of physics do not cease to operate in Hawaii. Around the world, various Universal Healthcare systems with hybrid public-private funding and four, which are mostly Single-Payer, manage to cover all of their citizens at half per capita what we here in the USA spend.

Every international organization that analyzes and publishes international comparisons of healthcare costs shows that the USA spends far more than other nations on health insurance administration, so why exactly do you place so much trust in the advice of our health insurance companies, given that they are the one's who created the worst health insurance system in the world? Notably, admin cost is not just on the insurance company side; insurance company payment complexity results in providers spending 15% of their budget *officially* on administration plus additional administrative costs related to the recent DOUBLING of physician charting time which are excluded from that figure. Go figure. The sad fact is, we have 900 health insurance companies doing a job one could do much better and at a much lower cost.

And yet the shared mantra of some Hawaii State officials who are opponents of the Hawaii Health Authority is that “there is very little, if any, savings to be had from admin simplification.”

It is not ethical for state officials to maintain a position which is at odds with reality around the world and in micro systems in the USA, for example, in the Medicaid Department of Connecticut. The CT Medicaid Dept kicked their private contractors out, hired one of them, and gave that one insurance company a simple operating plan. Since then, CT's Medicaid costs have dropped and provider participation increased. Patients could see specialists! Dr's could once again afford to accept Medicaid patients! We can do this too.

The CT Medicaid department is willing to provide a zoom presentation on how they saved hundreds of millions of dollars for the state by setting up one admin-simple self-insured system for their Medicaid program.

If you ask, members of the DPH Health Committee can facilitate the scheduling of that presentation.

Did you see the recent Congressional Budget Office score of Single-Payer? It showed that in a Single-Payer healthcare system in the USA, administration costs would go down by \$743 billion dollars per year, and yet here in Hawaii we are ruled by insurance officials who repeat, “there is very little, if any, savings to be had from admin simplification.”

“Anyone interacting with the U.S. health care system is bound to encounter examples of unnecessary administrative complexity—from filling out duplicative intake forms to transferring medical records between providers to sorting out insurance bills. This administrative complexity,

with its associated high costs, is often cited as one reason the United States spends double the amount per capita on health care compared with other high-income countries even though utilization rates are similar.¹

<https://www.americanprogress.org/issues/healthcare/reports/2019/04/08/468302/excess-administrative-costs-burden-u-s-health-care-system/>

<https://www.peoplespolicyproject.org/2020/12/11/cbo-medicare-for-all-reduces-health-spending/>

Please ask for a meeting on this matter with Dr. Stephen Kemble.

If 30% of Hawaii's budget is spent on Healthcare, don't you have 30 minutes for a discussion on what works EVERYWHERE it is tried?

Thank you for your time,

Dennis B Miller
2330 Kalakaua Ave Ste 146
Honolulu, HI 96815
Email: singlepayerhawaii@gmail.com

.....
Please Read!

Dr. Kemble's testimony on SB1086:

SENATE COMMITTEE ON HEALTH
Senator Jarrett Keohokalole, Chair
Senator Rosalyn H. Baker, Vice Chair

Date: February 12, 2021

From: Stephen Kemble, MD

Re: SB 1086 RELATING TO THE HAWAII HEALTH AUTHORITY.

Position: OPPOSE

While I support the role of SHPDA in assessing community needs for health care facilities and handling Certificates of Need, the role of the Hawaii Health Authority is far broader and differs fundamentally from that of SHPDA. The Hawaii Health Authority (HHA) is supposed to develop a comprehensive health plan that covers all individuals residing in Hawaii. According to HRS 322H,

(b) The authority shall develop a comprehensive health plan that includes:

- (1) Establishment of eligibility for inclusion in a health plan for all individuals;
- (2) Determination of all reimbursable services to be paid by the authority;
- (3) Determination of all approved providers of services in a health plan for all individuals;
- (4) Evaluation of health care and cost effectiveness of all aspects of a health plan for all individuals; and
- (5) Establishment of a budget for a health plan for all individuals in the State.

Just because the past two administrations have sidelined the Hawaii Health Authority and refused to allow it to influence policy does not mean the HHA should be abolished.

The private sector reforms referenced in SB 1086 have been imposed over the course of the past decade and have failed to achieve any of the goals of reform. Costs have continued to rise at an average rate of about 7% per year, with no end in sight. Physicians are being driven out of practice by payment reforms promoted by the Hawaii Health Project and HMSA. Primary care capitation imposed by HMSA has benefitted a few doctors with large, stable middle class practices with expanded staffing and advanced IT systems, while driving doctors serving poorer and rural communities out of practice.

According to the 2020 Hawaii Health Work Force Assessment, Hawaii now has a shortage of over 1,000 doctors, worst for primary care which is supposed to be the backbone of our health care delivery system, and worst on the neighbor islands. Three [surveys done in 2019](#), before the pandemic, found the majority of Hawaii primary care practices are doing worse under capitation, with many unable to afford the overhead now required to stay in independent practice. Around 80% blame HMSA's capitation model as a major cause of our physician shortage, and as a deterrent to doctors starting new practices here.

In our Med-QUEST program, turning Medicaid over to competing managed care organizations has achieved driving the large majority of independent physicians out of accepting Medicaid patients, increasing use of Emergency rooms and Urgent Care centers as sites for primary care and psychiatric care, at great cost. Hawaii used to have broad participation in Medicaid among

independent doctors, but the managed care plans have created a de facto two-tier system, with private doctors treating only commercially insured patients and Medicaid recipients' care restricted to community health centers and hospital-based clinics. The Medicaid managed care plans have never achieved the cost savings they promised.

Leaving health care reform in the hands of the health insurance industry has been a disaster. The Hawaii Health Authority has proposed measures to simplify and standardize payment systems to reduce administrative waste, starting with the State taking back Medicaid and Employee health benefits (EUTF) as state-insured systems with Administrative Services Only contracts to handle administrative tasks such as claims processing, credentialing, quality improvement, and customer service, but not to assume insurance risk. A majority of other states already do this, reducing administrative overhead by two thirds.

Connecticut took their Medicaid program back from managed care plans in 2012, achieving markedly improved physician participation and a 14% reduction in per member total costs 6 years later. Their administrative costs dropped from 20-25% with the managed care plans to 2.8% with a state self-insured program, and that includes the cost of a well-designed Administrative Services Contracts. If Hawaii achieved savings comparable to other states, these reforms would save somewhere in the neighborhood of \$350 million per year!!

With reduced administrative costs and reduced health care cost inflation, the need for pre-funding future health benefits liabilities for EUTF would be reduced, and the existing funds in the EUTF unfunded future health benefits liabilities fund would be more than enough for insurance reserves, making pre-funding much less necessary. Repealing the 2013 law requiring pre-funding would save around \$500 million per year and improve Hawaii's bond rating to boot.

We are in a fiscal crisis, and we can no longer afford to trust self-serving health insurance companies with managing health care and health care reform. We need the Hawaii Health Authority now more than ever.

I would be happy to provide further documentation, references, and policy information to any interested legislators. My e-mail is stephenbkemble@gmail.com.

Stephen B. Kemble, MD

Original Member of Hawaii Health Authority

SB-1086

Submitted on: 2/11/2021 5:26:27 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Brandt	Testifying for Foresight/Policy Analysis	Oppose	No

Comments:

Resubmitting because I did not get confirmation the first time from this website after the first attempt. I initially submitted it here well before the 24-hour advance deadline, and also emailed directly to all Health Committee members before the deadline. Submitting it again after deadline to ensure it is permanently added to this website's archives.

Re: SB 1086 RELATING TO THE HAWAII HEALTH AUTHORITY.

Position: OPPOSE

Chair Keohokalole, Vice Chair Baker and members of the Senate Committee on Health:

Thank you for the opportunity to comment. I strongly oppose SB 1086 and, for the following reasons,

- I am asking this committee to schedule SB 983--relating to health care--for hearing by the deadline next Tuesday, Feb.16.***

Abolishing, instead of fully using, the Hawaii Health Authority (HHA) will guarantee that Hawaii taxpayers and health care consumers will continue to pay MORE than necessary for LESS actual "health care", in my opinion, and only the HHA--not SHPDA or private health insurance companies--can change this.

This is also beyond the scope of the more limited, but still necessary, role of SHPDA, in my opinion.

Several Star Advertiser guest op-eds in recent years have clearly explained how "self-insuring" health care for state and county active and retired employees (EUTF) and Medicaid recipients

- could save Hawaii taxpayers about \$850 MILLION annually--over half our state's projected budget deficit this year,***

- *while reducing the need to furlough or lay off state and county government employees.*

Almost all other states self-insure one or all taxpayer-funded health care plans, and

- *the Hawaii State Association of Counties (HSAC) supports this.*

But Hawaii taxpayers continue to needlessly pay third parties for EUTF and Medicaid "insurance," instead of administrative services only, and State taxpayers also needlessly pay in advance for future increases in avoidable EUTF third-party insurance costs.

Private insurers' "value-based" (capitation) payment systems are also worsening Hawaii's doctor shortage,

while increasing the number of local doctors who will NOT accept new Medicaid--and now even Medicare--patients.

- *I can personally attest this can negatively impact EUTF retirees who have Medicare as their primary insurance, even though they have HMSA as their secondary insurance.*

Hawaii doctors must now spend twice as much time paying attention to their computers instead of their patients, and overhead now accounts for 60% to 70% for primary care practices.

- Physicians in Hawaii place a large share of the blame for Hawaii's loss of doctors on HMSA's "Payment Transformation," which involves capping insurance payments to primary care practices while requiring more detailed documentation and data reporting--all of which require increased office staffing and computer systems.
- A local doctor [survey by Aimed Alliance](#) in December 2019--three years after HMSA implemented these changes--found
 - 80% felt Payment Transformation increased administrative tasks
 - 42% said it reduced their gross practice revenue, while administrative overhead had increased
 - more than 80% felt HMSA had worsened Hawaii's shortage of primary care doctors, and
 - 80% said they would advise against a new doctor coming to Hawaii to practice primary care.

Our current third party private health "insurance" system also paradoxically "rations" health care--

via excessive denial of care and "cherry-picking" patients' based on their pre-existing health problems, and the quality (or lack thereof) of their health "insurance"--

much more than state government "self-insured" systems, which could also provide better coverage for more people at less cost,

while the increase in unemployment due to the Covid pandemic has laid bare the irrationality of continuing to require employers to provide health insurance for most people,

- ***as evidenced by the thousands of unionized local hotel workers who have lost their health care coverage due to layoffs.***

So why does the Legislature continue to ignore this?

- ***I suspect EUTF and Medicaid administrators tell legislators the current system is cost-effective, but based only on what private insurers tell them their "costs" are,***
- ***without scrutinizing how much excessive and duplicative administrative costs the health insurers categorize as "health care" instead of "administration",***
- ***while also completely ignoring why almost all other states self-insure,***
- ***even though experts on self-insurance in other states are willing to brief Hawaii legislators as well as EUTF and Medicaid administrators.***

But this is unsurprising when taxpayer-funded health care plans and private insurers have overlapping boards of directors, and legislators simply accept on face value what they are told by those boards.

- ***So instead of abolishing HHA, perhaps the Legislature should abolish this clearly apparent conflict of interest, as well as campaign contributions from private health insurers!***

In conclusion, I think allowing self-insurance of EUTF and Medicaid--as well as PERMANENTLY ending EUTF pre-funding--could do more than anything more quickly to:

- ***address our state financial AND health care crises,***

- *improve the State's bond rating, and*
- *protect state and county government employees from layoffs and furloughs*

at less cost to current and future Hawaii taxpayers and health care consumers.

Thank you again for your time and consideration.

Thomas Brandt

Foresight and Policy Analysis

Honolulu



AMERICANS FOR DEMOCRATIC ACTION

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Doug Pyle, Secretary	Jan Lubin	Lyn Pyle		

February 3, 2021

TO: Chair Keohokalole and members of Health Committee

RE: SB 1086 Relating to the Hawaii Health Authority

Opposition for hearing on Feb.12

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We oppose SB 1086 to abolish the Hawaii Health Authority (HHA). The HHA is the one agency which if reinvigorated could lead us out of a wasteful health care system that fails to provide enough quality care to people. Health care administration costs are both rising as a share of health care monies and causing rising cost to consumers. Doctors are leaving or not coming to work here. Don't turn your back on the problem by passing this bill. Do the opposite; fund the HHA! HHA is an opportunity for a solution.

Thank you for your consideration.

Sincerely,
John Bickel, President



PROGRESSIVE DEMOCRATS OF HAWAII

Post Office Box 51

Honolulu, Hawaii 96810

February 10, 2021

To: The Honorable Jarrett Keohokalole, Chair
The Honorable Rosalyn H. Baker, Vice Chair, and
Members of the Senate Committee on Health

Re: S.B. 1086 – Relating to the Hawaii Health Authority

Hearing: Friday, February 12, 2021, 1:00 p.m. via videoconference

Position: **STRONG OPPOSITION**

Aloha, Senators Keohokalole, Baker, and Members of the Committee!

Progressive Democrats of Hawaii strongly oppose this bill, which would abolish the Hawaii Health Authority (HHA). HHA was created over Governor Lingle’s veto in 2009 for the purpose of starting Hawaii on the path toward single-payer, universal healthcare coverage, a goal that now, more than ever, Hawaii desperately needs.

The Administration has shown no reason whatever for abolishing the HHA. The HHA has been consistently speaking out for administrative simplification of medical administration, because it is the ever-greater complication of administration that is the primary factor that is driving medical professionals out of the practice and out of the State.

Now is NOT THE TIME TO ABOLISH THE HHA. To the contrary, the continued need for the HHA cries out during this COVID health emergency. As Dr. Stephen Kemble, one of the two remaining members of the HHA, is currently testifying on the present bill: “Leaving health care reform in the hands of the health insurance industry has been a disaster.”

How would Hawaii benefit by taking away the voice of the HHA? Hawaii will not benefit. This is a bad bill. Please defer it. Thank you for the opportunity to testify.

Alan B. Burdick, co-chair
Progressive Democrats of Hawaii
Burdick808@gmail.com / 927-1500

SB-1086

Submitted on: 2/9/2021 5:03:54 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Martha Nakajima	Individual	Oppose	No

Comments:

I strongly oppose this bill. The HHA could save the state government a ton of money if taken seriously and allowed to operate as intended. I associate with the views expressed by Melodie Aduja, Chair, Democratic Party Health Committee.

Thank you

Martha Nakajima

Member, Democratic Party Health Committee

SB-1086

Submitted on: 2/10/2021 9:33:57 AM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Garris	Individual	Oppose	No

Comments:

Do not defund the Health Authority in the middle of a pandemic.

SB-1086

Submitted on: 2/10/2021 10:23:19 AM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Philip A. Verhoef	Individual	Oppose	No

Comments:

Abolishing the HHA is exactly the opposite of what's best for Hawaii. In fact, the Governor is neglecting his responsibility and obligations to Hawaii residents by not activating the HHA, all while letting himself be manipulated by stakeholders who do not have the best interests of Hawaii's residents at heart.

If the HHA had actually been allowed to develop a comprehensive universal health care plan for Hawaii,

1: lives would have been saved. On average, 1 in 1000 people die for lack of health insurance, and there are currently >50,000 Hawaii residents without health insurance. In the 12 years since the HHA was passed, this means at least 600 people have died

2: people would have avoided bankruptcy. Two-thirds of all bankruptcies occur due to an inability to pay bills associated with healthcare and the creation of a universal comprehensive system would eliminate high-deductible health plans and uninsurance, both of which leave patients with massive bills to be paid

3: thousands of people have lost their jobs during the pandemic, which means they have also lost their health insurance and are avoiding seeking care at all costs. If we had a universal, comprehensive system of coverage not tied to employment, those people could still continue to receive health care.

4: health care spending would actually have been reduced (as demonstrated by dozens of analyses), instead of continuing at a rate that exceeds inflation, all while padding the pockets of the private healthcare sector

And the notion that the "private healthcare sector continues to evolve rapidly" and should therefore be involved in health planning is ludicrous. The private healthcare sector has one objective: making money. It does not concern itself with assuring that everyone gets the care that they need or deserve. In fact, the private health insurance industry has literally built a business model that depends on restricting access to care, denying claims, narrowing networks, limiting pharmaceutical choices, and cherry picking healthy patients while allowing those with multiple medical problems to be forced on to government plans or high-deductible private plans. In fact, here in Hawaii, turning the

planning and coverage of healthcare over to the private sector is responsible for driving costs up and driving physicians out of Hawaii. How does this make any sense?

Abolishing the HHA takes away any hope that Hawaii could save money and cover all its residents because it will, in effect, allow the private healthcare sector the ability (by virtue of their deep pockets and lobbying efforts) to dictate the process of health planning in a way that meets their needs, and not those of the state of Hawaii.

Thank you for your consideration.

SB-1086

Submitted on: 2/10/2021 10:55:21 AM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Stephen B Kemble	Individual	Oppose	No

Comments:

SENATE COMMITTEE ON HEALTH

Senator Jarrett Keohokalole, Chair

Senator Rosalyn H. Baker, Vice Chair

Date: February 12, 2021

From: Stephen Kemble, MD

Re: SB 1086 RELATING TO THE HAWAII HEALTH AUTHORITY.

Position: OPPOSE

While I support the role of SHPDA in assessing community needs for health care facilities and handling Certificates of Need, the role of the Hawaii Health Authority is far broader and differs fundamentally from that of SHPDA. The Hawaii Health Authority (HHA) is supposed to develop a comprehensive health plan that covers all individuals residing in Hawaii. According to HRS 322H,

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(4) Evaluation of health care and cost effectiveness of all aspects of a health plan for all individuals; and

(5) Establishment of a budget for a health plan for all individuals in the State.

Just because the past two administrations have sidelined the Hawaii Health Authority and refused to allow it to influence policy does not mean the HHA should be abolished.

The private sector reforms referenced in SB 1086 have been imposed over the course of the past decade and have failed to achieve any of the goals of reform. Costs have continued to rise at an average rate of about 7% per year, with no end in sight. Physicians are being driven out of practice by payment reforms promoted by the Hawaii Health Project and HMSA. Primary care capitation imposed by HMSA has benefitted a few doctors with large, stable middle class practices with expanded staffing and advanced IT systems, while driving doctors serving poorer and rural communities out of practice.

According to the 2020 Hawaii Health Work Force Assessment, Hawaii now has a shortage of over 1,000 doctors, worst for primary care which is supposed to be the backbone of our health care delivery system, and worst on the neighbor islands. Three [surveys done in 2019](#), before the pandemic, found the majority of Hawaii primary care practices are doing worse under capitation, with many unable to afford the overhead now required to stay in independent practice. Around 80% blame HMSA's capitation model as a major cause of our physician shortage, and as a deterrent to doctors starting new practices here.

In our Med-QUEST program, turning Medicaid over to competing managed care organizations has achieved driving the large majority of independent physicians out of accepting Medicaid patients, increasing use of Emergency rooms and Urgent Care centers as sites for primary care and psychiatric care, at great cost. Hawaii used to have broad participation in Medicaid among independent doctors, but the managed care plans have created a de facto two-tier system, with private doctors treating only commercially insured patients and Medicaid recipients' care restricted to community health centers and hospital-based clinics. The Medicaid managed care plans have never achieved the cost savings they promised. Those innovative programs for high-risk and special needs populations that have proven successful, now funded by managed care plans, could be more cost-effectively funded directly by Med-QUEST.

Leaving health care reform in the hands of the health insurance industry has been a disaster. The Hawaii Health Authority has proposed measures to simplify and standardize payment systems to reduce administrative waste, starting with the State taking back Medicaid and Employee health benefits (EUTF) as state-insured systems with Administrative Services Only contracts to handle administrative tasks such as claims processing, credentialing, quality improvement, and customer service, but not to assume insurance risk. A majority of other states already do this, reducing administrative overhead by two thirds.

Connecticut took their Medicaid program back from managed care plans in 2012, achieving markedly improved physician participation and a 14% reduction in per member total costs 6 years later. Their administrative costs dropped from 20-25% with the managed care plans to 2.8% with a state self-insured program, and that includes the cost of well-designed Administrative Services Only contracts. If Hawaii achieved savings comparable to other states, these reforms would save somewhere in the neighborhood of \$350 million per year!!

With reduced administrative costs and reduced health care cost inflation, the need for pre-funding future health benefits liabilities for EUTF would be reduced, and the existing funds in the EUTF unfunded future health benefits liabilities fund would be more than enough for insurance reserves, making pre-funding much less necessary. Repealing the 2013 law requiring pre-funding would save another \$500 million per year and improve Hawaii's bond rating to boot.

We are in a fiscal crisis, and we can no longer afford to trust self-serving health insurance companies with managing health care and health care reform. We need the Hawaii Health Authority now more than ever.

I would be happy to provide further documentation, references, and policy information to any interested legislators. My e-mail is stephenbkemble@gmail.com.

Stephen B. Kemble, MD

Original Member of Hawaii Health Authority

SB-1086

Submitted on: 2/10/2021 3:00:29 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marion Poirier	Individual	Oppose	No

Comments:

February 10, 2021

Marion Poirier, M.A., R.N.
Healthcare Consultant

Testimony Submittal

OPPOSITION to SB 1086 Relating to Hawaii Health Authority

Friday, February 12, 2021, 1PM Hearing

HEALTH COMMITTEE CHAIR KEOHOKKALOLE, VICE CHAIR BAKER, and MEMBERS:

My name is Marion Poirier, and I oppose SB 1086. I am an originally appointed member of the Hawaii Health Authority (HHA) as well as a member of the Health Committee of the Democratic Party of Hawaii.

The HHA's reason for being is to investigate various methodologies for universal healthcare.

We had worked diligently for two years without any funding. Ideas were plentiful, but without resources there was no way that we could delve into the particulars.

In my opinion, SHPDA could not deal with another mission. They stay very busy with specifics such as Certificates of Need and the like. On the other hand, the HHA is the most inexpensive and Democratic option. I also believe that you would be well served to acknowledge the dedication of the original members for their service.

Thank you for the opportunity of share my views.

SB-1086

Submitted on: 2/10/2021 4:55:56 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Daria Fand	Individual	Oppose	No

Comments:

SENATE COMMITTEE ON HEALTH

Senator Jarrett Keohokalole, Chair

Senator Rosalyn H. Baker, Vice Chair

Date: February 12, 2021 - 1:00 p.m.

From: Daria Fand, Legislative Public Health Advocate

Re: SB 1086 RELATING TO THE HAWAII HEALTH AUTHORITY.

Position: OPPOSE

As both a patient and advocate for progressive healthcare delivery in Hawai'i, I am strongly in opposition to the abolition of the Hawaii Health Authority (HHA). This agency was established in statute through an over-riding veto by our dedicated Legislators, in accordance with the will of the people of Hawai'i, who are overwhelmingly in favor of the mission of the HHA.

The private healthcare sector, to which this measure refers, as a whole and irrespective of various industry-touted "evolutionary" business, policy, and technological changes, remains the single greatest obstacle to universal access to medical care and appropriate physician reimbursement. Because the profit-driven business model of private insurance companies **inherently and existentially** depends upon the disincentivization of care for poorer, more complex, higher-maintenance, and challenged populations — particularly those most vulnerable patients subscribed to the Medicaid program — there is no version of it that can successfully provide universal, quality care.

I, myself, am a Medicaid/Med-QUEST recipient and can attest that since the program has splintered into so many “value-based” Managed Care Organizations, it has become nearly impossible to find a doctor willing to take me on as a patient. The ones that do participate with Med-QUEST often take only one or two plans, usually HMSA for its monopoly on the market, effectively cutting patients like me off from a vast range of providers. In turn, those physicians who continue to participate bear a disproportionate burden, experience burnout, leave private practice or the state altogether.

This problem isn't limited to Medicaid. Skyrocketing administrative costs and bureaucratic procedures have hijacked the practice of medicine, period. **Our only recourse to this fiscal collision course is to fund and empower the HHA to do what it was tasked to do: to craft a streamlined, simplified, single-entity administrative clearinghouse, which has established standardized fee schedules, thus minimizing wasteful overhead, bringing doctors back into the fold, and eliminating such existing barriers to medical care as employment, socioeconomic, and geographical status.** No matter how many “reforms” the for-profit insurance industry implements, it is categorically at odds with these goals.

There is no reason the Aloha State should remain regressive as the rest of the nation steadily moves away from managed care private plans, and toward a unified Administrative Services Only (ASO) model, which the HHA would likewise devise — especially when we once stood as a model for the nation, with the Prepaid Health Care Act. It's time to improve upon that model, which has proven inadequate against the toll of our current one, as it exponentially burdens us to the tune of \$350 million per year! If we have any chance to implement universal, economically sustainable healthcare, it will be through the HHA, and ONLY through the agency of the HHA.

I ask that you defer this measure indefinitely, if not because you are convinced that the HHA is the answer, to at very least allow the conversation about its promise to continue.

Mahalo for your attention to this high-priority impactful matter.

SB-1086

Submitted on: 2/10/2021 5:32:44 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ed Felien	Individual	Oppose	No

Comments:

Please do not kill the Hawaii Health Authority. Please do not sell out the health of the people of Hawaii for campalgn contributions. Here are some of Senator Roz Baker's contributors who influence her vote on healthcare for Hawaii:

\$1700 Dr. Carbone

\$3800 Alexander and Baldwin

Linda Chu Takayama, Director, Department of Labor & Industrial Relations

Formerly at Zephyr Insurance

\$2000 Allstate Isurance

Altres \$3000

ARDA ROC PAC \$7550.

Association PAC \$7500

Astra Zeneca \$2000

Bostwick \$1700

CATRALA PAC \$1700

CPB PAC 1350

Dow Agrosience 500

Farmers Ins. 2500

First Hawaiian Bank 5000

Raymond Folen, Tripler Army Medical Center, 2700

Geico Direct, 500

Jane Gibbons, Kidney Foundation, 1500

GlaxoSmithKline plc (GSK) is a British pharmaceutical company 3250
The Healthcare Association of Hawaii Political Action Committee (HAH PAC), 4750

Hawaii Assoc of Prof Nurses, 2450

Hawaii Assoc of Pub Accountants, 13,000

Hawaii Independent Insurance, 4750

Hawaii Insurers Council PAC 750

Hawaii Medical PAC 2000

Hawaii optometric, 7000

Hawaii Podiatric, 1000

Hawaii Psychological 2500

Hawaii Soc of CPA 1500

Healthcare Assoc. 1150

Jerris Hedges, md, 2850

HI Dental Hygienists, 1000

HIIA (independent insurance) 300

Craig Hirai, lawyer lobbyist, 5350

Kenneth Hiraki, lawyer lobbyist, 1950

HI Soc of CPA, 800

HLTCARE PAC 2000

[Hawaii Medical Service Association - HMSA](#) pac, 12,450

Insurance Associates, 500

Island Insurance, 5500

Timothy E Johns, Hawaii Medical Service Association, 3650

Wayne Kekina, lawyer, 2750

Stanley M. Kuriyama Chairman, Alexander & Baldwin, 2500

Marvin S C Dang, lawyer, 1175

James Leavitt, lawyer, 2600

Alicia Maluafiti Owner, Lo'ihl Communications, govt. relations, 1800

Medco Health Solutions, 500

Monsanto, 8250

G.A. "RED" Morris Co-founder & Chairman. One of the first professional lobbyists, 10,000

Myerberg Shain & Associates, Advertising Agency, 1350

Pacific Integrative Medicine, 1125

Arthur Park, attorney, 7000

Park, Moon Soo Soo , Physician(Clinical Laboratories Hawaii) 18,000

Pfizer, 13750

PhRMA represents biopharmaceutical research companies, 400

Porter McGuire Kiakona & Chow, LLP's (PMKC) experienced and knowledgeable attorneys provide comprehensive legal counsel and representation, 3000

Dr. Virginia "Ginny" Pressler, director of the Department of Health (DOH), 1950

John Radcliffe Monsanto Lobbyist, 16,000

Romala S. Radcliffe, Administrator, State Health Planning and Development Agency, 1100

SAH PAC 3250

Bert S Sakuda Atty, 5000

Schlack, Ito, etc. lawyers, 500

Scott Miscovich, MD Lawyer, 500

Gerald Sekiya, atty, 1250

Barry Shitamoto, Clinical Labs, 2000

Gary Slovin and Ito, atty, 5700

Woodruff Soldner, 2100

James Stone, atty, 4850

Yuriko Sujimura, atty, 3200

Syngenta, 1000

Hawaii Association of Health Underwriters & NAIFA, 1300

Anthony Takitani, atty, 2550

John David Thomas, atty, 1250

Charles Toguchi, consultant, 2150

Torkildson, atty, 1250

SB-1086

Submitted on: 2/10/2021 6:39:59 PM

Testimony for HTH on 2/12/2021 1:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Grosskreutz, M.D.	Individual	Oppose	No

Comments:

Hawaii is currently experiencing a worsening shortage of healthcare providers. Hawaii Island has a 53% shortage of doctors, followed by Maui at 42% and Kauai at 33%. Our state's inability to retain and recruit new younger physicians greatly complicates our efforts to combat a global pandemic and provide care for our communities. Over a third of our Big Island doctors are working in their 60s and 70s, and while many of us would like to continue to provide patient care indefinitely, our own mortality will not allow this.

New thinking and solutions are needed, and in this environment the Hawaii Health Authority could well contribute to assess the dire situation and help in planning to rebuild our Hawaii healthcare workforce after the pandemic. The lower life expectancy and higher mortality from cancer, trauma, heart attack and stroke on the Neighbor Islands mandates informed planning to address these concerns.



LATE

February 11, 2021

To: Senate Committee on Health
Senator Jarrett Keohokalole, Chair
Senator Rosalyn H. Baker, Vice Chair, and
Members of the Committee on Health

Re: SB 1086 – RELATING TO THE HAWAII HEALTH AUTHORITY

Meeting: Friday, February 12, 2021, 1:00 p.m., via videoconference

Position: **STRONG OPPOSITION**

Aloha Chair Keohokalole, Vice Chair Baker, and Members of the Committee on Health:

The Health Committee of the Democratic Party of Hawai`i stands in strong opposition of SB 1086. SB 1086 provides that the “Hawai`i health authority, therefore, having duly and thoughtfully advanced Hawai`i's health policy debate through the performance of its duties, may be abolished as part of the effort to streamline health planning and policy management. SECTION 2. Chapter 322H, Hawai`i Revised Statutes, is repealed.”

We are in a fiscal crisis, and we absolutely cannot continue to trust self-serving health insurance companies with managing our health care and health care reform. We need the Hawai`i Health Authority to work toward the best interests of people of Hawai`i, The Hawai`i Health Authority does not work for the best interests of the insurance companies.

Members of the Health Committee of the Democratic Party of Hawai`i have endeavored to put forth the policies of the Hawai`i Health Authority for the last four years by going to the State Legislature seeking to effectuate the Hawai`i Health Authority as provided in Chapter 322H (2009). The policies that the Hawai`i Health Authority produced in its early years still hold true today and should be effectuated to save the State millions of taxpayer dollars during this pandemic while providing improved health care services to its beneficiaries. The bills that the Health Committee diligently advocated for are: HB164, HB 192, HB276, HB 1285, SB 437, SB 444, SB 887, and SB 983. The Health Committee, as with all committees and caucuses of the Democratic Party of Hawai`i, are all comprised of volunteers. We have no financial stake in the outcome; we have no conflict of interest. We only volunteer in our time, efforts, hearts, and souls to legislation that we believe, based on precedents from sister states, would be beneficial to and in the best interests of the people of Hawai`i. The Health Committee has held numerous public forums to educate our members and members of the public of the benefits that can be realized through the guidance,

design and planning proposed by the Hawai`i Health Authority. As Chair of the Health Committee, we organized numerous health care forums on: May 7, 2020; May 22, 2020; June 5, 2020; July 15, 2020; July 20, 2020; September 14, 2020; December 14, 2020; January 11, 2021; and February 1, 2021. Our next Forum is scheduled on Monday, February 15, 2021, 6:30 p.m. via zoom:

<https://us02web.zoom.us/j/665808541?pwd=azMvL1p4K2o5VnNNMIQvWWtrTWFrQT09>

We invite you and hope you are able to attend.

The Democratic Party of Hawai`i (Party), with a membership of over 115,000 in which all but one of you are Democratic members, has adopted at its State Convention in 2018, clear healthcare safeguards for our community on page 11 of the Party Platform:

**”B. HEALTHCARE, HOUSING, AND SOCIO-CULTURAL WELLBEING
HEALTHCARE**

We believe that healthcare is a right, not a privilege, and our healthcare system must put people before profits. The high costs of insurance and insufficient coverage mean that many people do not have access to the care they need, which creates devastating social costs that are also a significant economic burden to the State.

Therefore, we support robust funding of the Hawai`i Health Authority (HHA) . . . to design a statewide, unified, cost-effective healthcare system that includes comprehensive healthcare services for all, and then submit that design to the legislature for evaluation.

Such a universal, comprehensive healthcare system would: (1) Unify the delivery of healthcare in Hawai`i by establishing a single network, benefit structure, reimbursement system, drug formulary, and prior authorization policies; (All state-regulated payers would be required to pay into this unified system, including Medicaid, Medicare Advantage, and health insurance provided by the state and counties, and commercial health insurance plans funded by employers and individuals.); (2) provide parity of mental and physical health coverage; (3) provide cost-effective regulation of comprehensive health care delivery systems with an administrative overhead of less than 3%; (4) include and protect all women’s healthcare needs including reproductive rights and the healthcare needs of the LGBTQIA community; (5) provide preventative health programs; (6) provide long-term care, dental, and vision care; and (7) provide healthcare to Compact of Free Association (Federated States of Micronesia, the Marshall Islands, and Palau) (COFA)) citizens and other non-citizens lawfully residing in Hawai`i on an equal basis with US citizens and permanent residents.”

Pursuant to HRS Chapter 322H, the objectives of the Hawai`i Health Authority have been adopted and embodied in the Democratic Party of Hawai`i Platform, *supra*, to wit:

- (b) The authority shall develop a comprehensive health plan that includes:
 - (1) Establishment of eligibility for inclusion in a health plan for all individuals;
 - (2) Determination of all reimbursable services to be paid by the authority;
 - (3) Determination of all approved providers of services in a health plan for all individuals;
 - (4) Evaluation of health care and cost effectiveness of all aspects of a health plan for all individuals; and
 - (5) Establishment of a budget for a health plan for all individuals in the State.

What we continue to see during the past decade was a failure in the private sector to produce the reforms referenced in SB 1086. Instead, what we have seen are; (1) costs continuing to rise at an rate of about 7% per year; (2) physicians leaving their practice because of overburdensome,

oppressive payment reforms promoted by the Hawai'i Health Project and HMSA; and (3) primary care capitation imposed by HMSA benefitting mostly doctors with large, middle class practices, with extended staff and advanced computer systems, while pushing doctors of poorer, rural communities out of business for being unable to keep up with stricter administrative reimbursement demands of insurance companies.

Unfortunately, we continue to experience a shortage of over 1,000 physicians. Of the physicians that remain, the majority with primary care practices are doing much worse under capitation than before as they are having difficulty keeping up with the overhead requirements. HMSA's capitation model is the root cause of this physician shortage and an impediment to new doctors wanting to start their practice in Hawai'i.

The resulting health care system has been less than optimal. In our Med-QUEST program alone, we are seeing that independent physicians are refusing to accept Med-QUEST patients because of the overburdensome administrative requirements set forth by managed care organizations. As a result, patients must turn to emergency rooms and Urgent Care to obtain health care services which are normally handled by primary care physicians. The Medicaid managed care plans have never achieved the cost savings that was promised, instead the interests of the insurance companies are taking precedence over the best interests of their patients.

The Hawai'i Health Authority has proposed measures to simplify and standardize payment systems to reduce administrative waste starting with the State taking back Medicaid and Employee health benefits (EUTF) as state-insured systems with Administrative Services Only contracts to handle administrative tasks without assuming insurance risk. *Please see*, HB 164, HB 192, HB276, HB 1285, SB 437, SB 444, SB 887, and SB 983. A majority of sister states have reduced their administrative costs by two thirds just by using insurance companies for Administrative Services Only. Clearly, Hawai'i can do the same and realize similar taxpayer savings. If Hawai'i were to achieve similar savings to other states, these reforms could save \$350 million or more per year in much needed revenue that may be used for other pressing pandemic-related State needs. In addition, repealing the 2013 law for pre-funding would save \$350 million to \$500 million per year and improve Hawaii's bond rating rather than reduce Hawai'i's bond rating down a level as these payments are suspended.

For these reasons, we urge you to defer this bill to repeal the Hawai'i Health Authority under Chapter 322H, Hawaii Revised Statutes, during a time when the Hawai'i Health Authority is necessary to guide and restore Hawai'i's health care system back to health for all people in the State of Hawai'i while saving taxpayers millions of dollars in excessive administrative costs. In addition, the objectives of Hawai'i Health Authority are consistent with and embodied in the Democratic Party Platform.

Mahalo for this opportunity to testify,

/s/ **Melodie Aduja**

Melodie Aduja

Chair, Health Committee

Democratic Party of Hawai'i



LATE

Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

February 11, 2021

TO: SENATE COMMITTEE ON HEALTH
RE: Testimony in Opposition of SB1086

Dear Senators,

Young Progressives Demanding Action **strongly opposes SB1086**. The Hawai'i Health Authority should be supported, not abolished. The HHA can, and should, act as a catalyst toward a single-payer, universal healthcare system that would save the state money through reduced administrative overhead and through improved healthcare outcomes.

Profit-motive has no place in our healthcare system and we cannot let private insurance companies dictate healthcare policy in this state. To do so is to guarantee that the people of Hawai'i will receive care only as long as insurance companies remain profitable, while footing a much larger tax bill than is necessary. When the quality of care is secondary to turning a profit, we the people lose out.

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary
action@ypdahawaii.org