

SB2413

Measure Title:
RELATING TO INSURANCE.

Report Title:
Health Insurance; Rate Regulation

Description:
Repeals the health insurance rate filing requirements in order to charge health care insurance companies the responsibility of determining their own rates.

Package:
Maui Health Initiative Task Force

Introducer(s):
TSUTSUI, BAKER, ENGLISH

Current Referral:
HTH, CPH

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 13, 2008

The Honorable David Ige, Chair
The Honorable Carol Fukunaga, Vice Chair
Senate Committee on Health

Re: SB 2413 – Relating to Insurance

Dear Chair Ige, Vice Chair Fukunaga and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2413 which would repeal the rate regulation statute which applies to health plans. HMSA supports this measure.

When the measure to reinstate health plan rate regulation was debated during the 2007 legislative session, HMSA remained in opposition. During public hearings on the issue HMSA repeatedly stated that rate regulation would not address the underlying causes which were increasing premiums. In fact, health care costs continue to rise across the country, not just in Hawaii and rate regulation will never address the fundamental drivers causing these increases.

Regulating health plan rates does nothing to manage escalating costs. In reality health plan rate regulation artificially contains a plan's rates. Health plans have a responsibility to their members and purchasers of services to set rates that cover the cost of providing the benefits in their health plan package.

HMSA has 70 years of experience setting adequate premium rates that cover the cost of health care. Developing health plan rates is an inexact science and creating rates takes expertise. Being able to set fair and adequate rates is one of our most important business competencies. Health plans go out of business if they are not able to set appropriate rates. Taking many factors into account (including cost and utilization trend predictions), HMSA develops premium rates each year. These premiums must cover the cost of providing health care for our members and administering the health plan.

HMSA is a kama`aina company that is proud to be a part of this community. We have successfully provided members with affordable, high quality health plans. We recognize the seriousness of the rising cost of health care, but strongly believe that health plan rate regulation has proven that it is not the answer. Thank you for the opportunity to testify on SB 2413.

Sincerely,

Jennifer Diesman
Director, Government Relations

Testimony of
Frank P. Richardson
Executive Director of Government Relations

Before:
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

February 13, 2008
1:15 pm
Conference Room 016

SB 2413 RELATING TO INSURANCE (Rate Regulation)

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on SB 2413, which repeals the health insurance rate filing requirements in order to charge health care insurance companies the responsibility of determining their own rates.

Kaiser Permanente Hawaii supports this bill.

Kaiser believes that the market should determine the price to be paid for health plans. There is no need for rate regulation as the premium rates currently charged to health plan customers in Hawaii are already competitive and among the lowest in the nation.

In fact, Hawaii enjoys the *lowest* rate in the nation for the average single premium per enrolled employee for employer based health insurance. According to 2005 statistics tabulated by the Kaiser Family Foundation:

The employee contribution for Single Premiums was:

Hawaii = \$302
National Average = \$723

The employer contribution for Single Premiums was:

Hawaii = \$3,037
National Average = \$3,268

The following chart shows Hawaii lowest out of all 50 states, plus the District of Columbia, in Single Premium rates:

Average Single Premium per Enrolled Employee For Employer-Based Health Insurance, 2005. Kaiser Family Foundation statehealthfacts.org Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2005 Medical Expenditure Panel Survey (MEPS) -Insurance Component. Tables II.C.1, II.C.2, II.C.3 available at: Medical Expenditure Panel survey (MEPS), accessed August 8, 2007.

Rank	State	Employee Contribution	Employer Contribution	Total
	United States	\$723	\$3,268	\$3,991
1.	Alaska	\$895	\$4,193	\$5,088
2.	Delaware	\$905	\$3,718	\$4,623
3.	Rhode Island	\$840	\$3,577	\$4,417
4.	Vermont	\$739	\$3,653	\$4,392
5.	Connecticut	\$749	\$3,641	\$4,390
6.	Wyoming	\$673	\$3,715	\$4,388
7.	New Jersey	\$847	\$3,485	\$4,332
8.	Arizona	\$752	\$3,542	\$4,294
9.	Maine	\$792	\$3,498	\$4,290
10.	Michigan	\$704	\$3,583	\$4,287
11.	New York	\$781	\$3,458	\$4,239
12.	Massachusetts	\$918	\$3,317	\$4,235
13.	Wisconsin	\$859	\$3,364	\$4,223
14.	District of Columbia	\$765	\$3,455	\$4,220
15.	Pennsylvania	\$659	\$3,536	\$4,195
16.	New Hampshire	\$965	\$3,210	\$4,175
17.	West Virginia	\$656	\$3,472	\$4,128
18.	Texas	\$617	\$3,491	\$4,108
19.	Oklahoma	\$680	\$3,408	\$4,088
20.	Idaho	\$737	\$3,341	\$4,078
21.	Oregon	\$503	\$3,548	\$4,051
22.	Illinois	\$846	\$3,203	\$4,049
23.	Indiana	\$701	\$3,341	\$4,042
24.	Florida	\$892	\$3,111	\$4,003
25.	Washington	\$384	\$3,591	\$3,975
26.	South Carolina	\$776	\$3,167	\$3,943
27.	Minnesota	\$809	\$3,123	\$3,932
28.	Louisiana	\$803	\$3,128	\$3,931
29.	Ohio	\$674	\$3,254	\$3,928
30.	Montana	\$548	\$3,350	\$3,898
31.	Colorado	\$741	\$3,150	\$3,891
32.	Georgia	\$707	\$3,154	\$3,861
33.	Maryland	\$896	\$2,938	\$3,834
34.	California	\$592	\$3,231	\$3,823
35.	Kentucky	\$731	\$3,092	\$3,823
36.	Tennessee	\$800	\$3,022	\$3,822
37.	New Mexico	\$794	\$3,019	\$3,813
38.	North Carolina	\$681	\$3,121	\$3,802
39.	South Dakota	\$807	\$2,989	\$3,796
40.	Nebraska	\$776	\$3,001	\$3,777
41.	Kansas	\$721	\$3,034	\$3,755
42.	Nevada	\$691	\$3,061	\$3,752
43.	Missouri	\$665	\$3,076	\$3,741
44.	Virginia	\$752	\$2,982	\$3,734
45.	Iowa	\$762	\$2,924	\$3,686
46.	Utah	\$796	\$2,837	\$3,633
47.	Arkansas	\$796	\$2,794	\$3,590
48.	North Dakota	\$721	\$2,717	\$3,438
49.	Alabama	\$838	\$2,581	\$3,419
50.	Mississippi	\$648	\$2,754	\$3,402
51.	Hawaii	\$302	\$3,037	\$3,339

For average family premiums per enrolled employee for employer based health insurance, based on 2005 statistics, Hawaii fell 48th in the nation out of the 50 states plus the District of Columbia.

Additionally, Kaiser notes that low provider reimbursement rates is one of the gravest issues facing the healthcare industry in Hawaii today, resulting in the increasing inability of the State to attract and retain qualified physicians and other healthcare providers. In turn, this aggravates the increasingly serious problem of timely access to quality health care for all residents of the State. Indeed, these two issues are at the forefront of the legislative agenda for the current session. Clearly, rate regulation, with its tendency to artificially suppress premium rates, and maintain them at or near currently low levels, is working at cross purposes with the effort to increase provider reimbursements. The money has to come from somewhere. Keeping premium rates down will simply not allow for increasing reimbursement rates.

For these reasons, Kaiser Permanente Hawaii supports this bill. Thank you for the opportunity to comment.