HOUSE RESOLUTION

REQUESTING THE INSURANCE COMMISSIONER TO REPORT ON CAPITATED PAYMENT MODELS BY HEALTHCARE INSURANCE PLANS.

WHEREAS, the Legislature finds that the health and welfare of all of the State's employees are important priorities of the State; and

WHEREAS, the State and counties strive to enhance the health of public employees by maximizing their health plan benefits and, at the same time, minimizing the costs of plans provided by the Hawaii Employer-Union Health Benefits Trust Fund (EUTF); and

WHEREAS, Hawaii is in the midst of a physician shortage, with the latest estimates by the Hawaii/Pacific Basin Area Health Education Center finding that Hawaii is approximately seven hundred physicians short when compared to similarly sized communities across the country, a number expected to grow to one-thousand five-hundred physicians over the next decade; and

WHEREAS, the physician shortage affects all areas of the State, including Oahu's rural areas that are struggling with maintaining adequate numbers of primary care providers and other physicians, and other islands that are experiencing even greater loss in the number of physicians practicing in those areas; and

WHEREAS, the County of Hawaii is experiencing a large and growing physician shortage with a 39 percent shortfall of physicians and 49 percent shortfall for primary care physicians, and Hilo has seven fewer physicians in 2017 than it did in 2016; and

WHEREAS, Hawaii's demand for physicians increases by approximately 50 while the number of physicians practicing in the State decreases by approximately 50 each year; and
WHEREAS, adding to the growing physician shortage in Hawaii is the imminent retirement of a large number of currently practicing physicians, with over half of all physicians currently practicing in Hawaii reaching the retirement age of 65 over the next ten years; and

WHEREAS, even if every slot for a medical student at the John A. Burns School of Medicine were filled with medical students willing to practice in Hawaii upon completion of their medical education, the physician shortage would still exist and would not be resolved in the near future, particularly in the area of primary care, since there is a shortage of approximately three hundred physicians, a number expected to rise as Hawaii's ever growing and aging population increases the need for primary care providers; and

WHEREAS, one reason for the physician shortage, particularly primary care physicians, is the lack of adequate reimbursement rates; and

WHEREAS, the Legislature recognizes that micromanaging medical care contributes to physician burnout; and

WHEREAS, nationwide, over 50 percent of physicians admit to burnout and 15 to 30 percent of practicing doctors and 29 percent of resident doctors are depressed; and

WHEREAS, the preferred provider organization healthcare plans offered by EUTF to the 65,000 active state and county employees are provided by Hawaii Medical Service Association (HMSA); and

WHEREAS, HMSA plans to convert their primary care provider reimbursement model from a fee-for-service to a capitated payment model by which the provider receives fixed monthly rate payments for each patient in the provider's practice; and

WHEREAS, HMSA anticipates that 90 percent of its over 730,000 member-subscribers will be immediately affected by the change and, by the year 2020, the entire State will be converted to the capitated payment model; and
WHEREAS, HMSA's objectives for the capitated payment model are to improve the overall health of the population, provide quality treatment, and contain rising medical costs; and

WHEREAS, HMSA asserts that the capitated payment model:

(1) Encourages medical providers to spend more time with the patients who need the most care;

(2) Provides flexibility in treating patients who require a lower level of care by encouraging consultation with and treatment of those patients by text message, electronic mail, or telephone; and

(3) Has providers encourage patients to participate in medical screenings, maintain a regular exercise regimen, and make healthy lifestyle choices; and

WHEREAS, critics claim that capitated payment models are detrimental to quality patient care by:

(1) Rewarding medical providers who administer treatment to fewer patients at their facilities; and

(2) Discouraging medical providers from accepting new patients or treating patients who suffer from severe illnesses and require more resources; and

WHEREAS, critics assert that capitated payment models create unfavorable business conditions that:

(1) Drastically reduce reimbursements to the providers and significantly increase the time required to satisfy HMSA's reporting requirements;

(2) Require substantial investment to upgrade information technology and increase overhead expense to retain more staff to process the additional documentation;
(3) Compel practitioners to decline to participate with the patient's HMSA coverage because of the low reimbursement rates;

(4) Transfer a significant portion of the burden of providing medical care towards emergency rooms, which is both more expensive and provides poorer health outcomes for consumers; and

(5) Exclude independent practitioners from the marketplace and compel practitioners to consider closing their practice; and

WHEREAS, HMSA's capitated payment model used to reimburse primary care providers will pay an average of $24 per patient per month, which will require a physician in solo practice to work over two hundred hours per month and care for over one-thousand five-hundred patients to receive a fair and reasonable salary, not including costs for overhead, staff, or supplies; and

WHEREAS, the rate of $24 per patient per month under HMSA's capitated payment model is low when compared to other states that have a capitated system for the reimbursement of physicians which have reimbursement rates that are much higher than HMSA's per patient per month rate; and

WHEREAS, the Insurance Commissioner is the State's expert on mutual benefit societies, accident and health or sickness insurance, HMSA's financial condition, health insurance rate-making, health provider network adequacy, and mandatory health insurance benefits, and is attuned to the healthcare insurance marketplace through complaints from and dialog with consumers, healthcare providers, and healthcare insurers; now, therefore,

BE IT RESOLVED by the House of Representatives of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2018, that the Insurance Commissioner is requested to report on capitated payment models by healthcare insurance plans; and
BE IT FURTHER RESOLVED that this report analyze the impacts of HMSA's capitated payment model with regard to:

(1) The quality and accessibility of healthcare for the patients;

(2) The quality and accessibility of primary care physician services;

(3) The costs to operate healthcare provider businesses including independent healthcare providers, healthcare clinics, and hospitals;

(4) The level of reimbursement to healthcare providers and whether the reimbursements are sufficient to ensure the viability of the provider's business;

(5) Whether the model deters the formation of new independent healthcare practices;

(6) EUTF's cost to procure healthcare plans;

(7) HMSA's cost to provide healthcare plans and the consequences on healthcare insurance rates and premiums; and

(8) Insured individuals covered by commercial or employer-based health insurance plans; and

BE IT FURTHER RESOLVED that this report additionally examine the capitated payment reimbursement rates of other states; and

BE IT FURTHER RESOLVED that the Insurance Commissioner submit a final report of findings and recommendations to the Legislature and conduct an informational briefing for legislators, all affected parties, and the general public no later than 20 days prior to the convening of the Regular Session of 2019; and
BE IT FURTHER RESOLVED that the Legislature recommends that healthcare insurance carriers do not implement the capitated payment model unless the Insurance Commissioner's final report and the public support at the informational briefing favor the capitated payment model; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor and the Insurance Commissioner.