



DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
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  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

CATHERINE P. AWAKUNI COLÓN  
DIRECTOR  
JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON HEALTH

TWENTY-NINTH LEGISLATURE  
Regular Session of 2017

Tuesday, March 21, 2017  
9:00 a.m.

**TESTIMONY ON HOUSE CONCURRENT RESOLUTION NO. 201 – REQUESTING  
THE INSURANCE COMMISSIONER TO REPORT ON CAPITATED PAYMENT  
MODELS BY HEALTHCARE INSURANCE PLANS.**

TO THE HONORABLE DELLA AU BELATTI, CHAIR, AND MEMBERS OF THE  
COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs (“Department”). The Department submits the following comments and concerns.

The purpose of this resolution is to require the Insurance Division (“Division”) to report on capitated payment models by healthcare insurance plans and analyze the impacts of the Hawaii Medical Service Association (“HMSA”) capitated model on several variables including the quality and accessibility of healthcare for patients, 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 costs to procure healthcare plans for the Hawaii-Employer Union Benefits Trusts Fund (“EUTF”). The report would be due to the Legislature no later than twenty days before the convening of the Regular Session of 2017.

The report would require access to data from all parties named in the resolution. This poses a concern as the Division does not have regulatory authority over healthcare providers such as independent providers, clinics, and hospitals. Similarly, the Division

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does not have authority over the EUTF or access to EUTF data on costs to procure healthcare plans.

Additionally, the impact analysis and report modeling are beyond the scope of staff expertise and would require hiring an outside expert consultant at an estimated cost of \$250,000 or more. A different agency may be better suited to research and conducting a comprehensive report in line with the Committee's inquiry.

We thank the Committee for the opportunity to present testimony on this matter.

kobayashi1- Oshiro

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From: mailinglist@capitol.hawaii.gov  
Sent: Saturday, March 18, 2017 2:55 PM  
To: HLTtestimony  
Cc: mendezj@hawaii.edu  
Subject: \*Submitted testimony for HCR201 on Mar 21, 2017 09:00AM\*

**HCR201**

Submitted on: 3/18/2017

Testimony for HLT on Mar 21, 2017 09:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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March 21, 2017

The Honorable Della Au Belatti, Chair  
The Honorable Bertrand Kobayashi, Vice Chair  
House Committee on Health

Re: HCR 201 – Requesting the Insurance Commissioner to Report on Capitated Payment Models  
By Healthcare Insurance Plans

Dear Chair Au Belatti, Vice Chair Kobayashi, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HCR 201, which requests the Insurance Commissioner to analyze HMSA's capitated payment model. HMSA has serious concerns with this Resolution and offer comments.

HMSA understands the need to review the effectiveness of new program models. However, it truly is too soon for the study contemplated in this Resolution. We began to pilot this program in mid-2016, not even a year ago. We are slowly rolling out the program in phases, and working in partnership with our providers, we continually are tweaking the program to address concerns raised by those participating providers.

HMSA is working together with provider organizations to support our members' relationship with their primary care provider and make it easier for them to take control of their own health and wellbeing. Under the fee-for-service system, physician reimbursement is focused on treating people when they get sick. Providers are reimbursed for every office visit, every test, and every service the physician provides. It is based on physical office visits.

Under our new model, providers are afforded a global payment and additionally rewarded for helping their patients prevent serious illness and proactively help those with chronic health conditions. This model helps gauge member access to and satisfaction with their PCPs. It offers a system to measure the quality of care. Doctors can do what they really want to do – help people improve their health and health and advance the wellbeing of the community.

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.

HMSA was asked to participate in the CMS Comprehensive Primary Care Plus (CPC+) initiative along with 13 other states to improve the quality of care traditional Medicare patients receive, improve their health, and spend health care dollars more wisely. The CPC+ model includes three payment elements: Care Management Fee, a Performance-Based Incentive Program, as well as capped payment under the fee-for-service schedule.

HMSA is involved with these payment transformation efforts because we want to work with our providers to safeguard the health and wellbeing, not only of our members, but of the community as a whole. That said, and given our program's infancy, it simply is premature for any kind of objective external review.

Thank you for the opportunity to testify on this measure. Your consideration of our concerns is appreciated.

Sincerely,

Mark K. Oto  
Director, Government Relations



**HAWAII MEDICAL ASSOCIATION**

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

FROM:  
HAWAII MEDICAL ASSOCIATION  
Dr. Christopher Flanders, Executive Director  
Lauren Zirbel, Community and Government Relations

TO:  
COMMITTEE ON HEALTH  
Rep. Della Au Belatti, Chair  
Rep. Bertrand Kobayashi, Vice Chair

DATE: Tuesday, March 21, 2017  
TIME: 9:00 AM  
PLACE: Conference Room 329

HCR 201

Position: Support

HMA support this resolution which requests that the Insurance Commissioner report on capitated payment models by healthcare insurance plan and analyze the impacts of HMSA's capitated payment model with regard to:

- (1) The quality and accessibility of healthcare for the patients;
- (2) The costs to operate healthcare provider businesses including independent healthcare providers, healthcare clinics, and hospitals;
- (3) The level of reimbursement to healthcare providers and whether the reimbursements are sufficient to ensure the viability of the provider's business;
- (4) Whether the model deters the formation of new independent healthcare practices;
- (5) EUTF's cost to procure healthcare plans; and
- (6) HMSA's cost to provide healthcare plans and the consequences on healthcare insurance rates and premiums; and

Thank you for allowing the HMA to participate in this discussion.

**HMA OFFICERS**

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