TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 1268

February 11, 2011

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

House Bill No. 1268 limits the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) board to contract for health benefits plans with only carriers that provide or administer prescription drug coverage together with medical benefits.

We are opposed to this bill. First, the Department has serious concerns that limiting the EUTF to only carriers that provide or administer prescription (Rx) benefits together with medical benefits will significantly limit competition and lead to higher costs for the EUTF's medical and Rx benefits plans. There are a very limited number of companies within the State that provide or administer both medical and Rx plans and, although the member may see these benefit carriers as one plan, the management for the Rx benefits is outsourced to a Pharmacy Benefit Manager (PBM). This type of arrangement creates multiple levels of management, impacting customer service and increases costs. This bill precludes contracting with large stand-alone Rx companies that, due to their size and buying power, may be more cost effective than companies that combine medical and prescription coverage.

Second, it is unclear if this bill limits the ability of the EUTF from providing an Rx plan separate from the medical benefits plans. Such a limitation would impact both active and retiree members. A stand-alone Rx benefit plan assists those members who do not have Rx benefits with their existing private or federal medical plans. Without a stand-alone Rx plan, the only way for these members to obtain Rx benefits is to subscribe to one of the EUTF medical/Rx "bundled" plans which would result in higher costs for both members and employers.

Third, there is more transparency in negotiating with a stand-alone Rx provider. Discounts and rebates can be determined and negotiated going forward as opposed to "after the fact."

Lastly, this bill seems to contradict §87A-16(b) which states that "The board may contract for health benefits plans or provide health benefits through a noninsured schedule of benefits"; clearly giving the EUTF board the authority and responsibility to design and contract for health benefits plans. The Department believes that §87A-16(b) serves the same intent of House Bill No. 1268 to provide price efficient and quality service to EUTF members.

HMSA

Blue Cross Blue Shield of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

February 11, 2011

The Honorable Karl Rhoads, Chair
The Honorable Kyle T. Yamashita, Vice Chair
House Committee on Labor and Public Employment

Re: HB 1268 – Relating to Health Insurance

Dear Chair Rhoads, Vice Chair Yamashita and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1268. HMSA supports the intent of this measure.

We believe having integrated medical and pharmacy benefit plans may be beneficial for the EUTF membership. Integrated health plans allow for easier alignment of the drug and medical services, thereby lowering costs. In addition, integration provides for efficiencies in the coordination of patient care by eliminating data exchange between multiple entities and providing easier and timely access to patient information.

Studies have confirmed that integrated plans do provide lower prescription drug costs for consumers. One published in the February 2010 edition of Benefits & Compensation Digest, by E.J. Culley and Thomas L. Williams, entitled, "Pharmacy Benefit Carve-In: the Right Prescription for Cost Savings," verified that a plan that integrated medical services with prescription drugs resulted in lower medical expenses by 6.2 percent. In that study, the group of 1,000 employees achieved savings of over a half million dollars over a four-year period. Another study by Highmark Inc, a Western Pennsylvania health plan that serves about 4.6 million members, conducted over a four-year period, reported that clients in integrated plans experienced an annual average of 15.8 percent less in outpatient expenses and 7.7 percent in emergency room expenses for their employees.

Thank you for the opportunity to testify today on HB 1268, which we believe merits your consideration.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

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