

HB2539 HD2

Measure Title: RELATING TO INSURANCE.

Report Title: Health Savings Account Program; Insurance

Description: Authorizes the establishment of health savings accounts in conjunction with group accident and health or sickness insurance policies, group hospital and medical service plan contracts, and health maintenance organization plans in the State. (HB2539 HD2)

Companion:

Package: None

Current Referral: CPH, WAM

Introducer(s): MCKELVEY, Souki



DAVID Y. IGE
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LT. GOVERNOR

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**TO THE SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH**

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Friday, March 18, 2016
9:45 a.m.

**TESTIMONY ON HOUSE BILL NO. 2539, H.D. 2, PROPOSED S.D. 1 – RELATING
TO INSURANCE.**

**TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE
COMMITTEE:**

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"),
testifying on behalf of the Department of Commerce and Consumer Affairs
("Department").

The purpose of this proposed bill is to establish optional high deductible health
plans in conjunction with health savings account programs for insurers who are subject
to regulation by the Commissioner and the Director of Labor. The Department submits
the following comments.

The Department supports the intent of having employers offering their employees
opportunities to choose health savings account programs as alternatives to being part of
group policies. We understand that employees' lifestyles may dictate better matches
with health savings account programs rather than enrolling in group plans and the
Department encourages policyholders becoming better familiarized with their healthcare
needs and coverages.

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

Testimony of
John M. Kirimitsu
Legal and Government Relations Consultant

Before:
Senate Committee on Commerce, Consumer Protection and Health
The Honorable Rosalyn H. Baker, Chair
The Honorable Michelle N. Kidani, Vice Chair

March 18, 2016
9:45 am
Conference Room 229

Re: HB 2539 HD2 Relating to Insurance

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 2539 HD2 relating to the establishment of health savings accounts (“HSA”) in conjunction with high deductible health plans (“HDHP”).

Kaiser Permanente Hawaii supports the intent of this bill but would like to offer an amendment.

Kaiser Permanente supports consumer choice through the establishment of HSAs, and recognizes the advantages of allowing employers to choose a lower premium (higher deductible) health plan, while allowing consumers to choose how to spend his or her health care expenses (presumably also making consumers more responsible for health care choices by funding their own health care expenses).

To get the benefits of a HSA, the law requires that the savings account be combined with a qualified HDHP. Although an HSA works in conjunction with a HDHP, both are recognized as separate components under the law.

Distinguishing the two separate components, an HSA is the financial component (essentially a bank account that allows you to save and pay for eligible health care expenses) sponsored by the employer group. Meanwhile, the HDHP is the insurance component which requires health insurers to offer a qualified high deductible plan to use with an HSA. This high deductible health plan is designed to offer a lower monthly premium in turn for more shared health care costs by the member. In short, you must be enrolled in an HDHP to have an HSA.

Accordingly, health insurers are not involved in any aspect of the HSA, which is entirely separate from the insurance component. The only service that health insurers provide is offering the HDHP, nothing more. Therefore, any HSA program information required under this bill should be the responsibility of the employer group, who sponsors the HSA plan and is privy to its information, and not the health insurers. Therefore, Kaiser Permanente requests the following amendment:

On Page 4, paragraph (c), lines 7-19, remove the “insurer” reference and instead replace with “employer”. This section should be amended as follows:

- 7 (c) Every ~~insurer~~ [employer] that offers, ~~sells, or renews a group~~
8 ~~—accident and health or sickness insurance policy with~~ an option
9 for a health savings account program shall:
- 10 (1) Include the employer limitations in this section in
11 any policy, contract, certificate, or agreement,
12 regardless of form; and
- 13 (2) Encourage informed decisions by providing ~~employers~~ [employees] a
14 one-page, double-sided declaration of understanding,
15 to be included with any program application that
16 explains in plain and simple language certain terms of
17 the program, including covered services, applicable
18 deductibles, claims processing, and the effective use
19 of the program for favorable tax treatment.

On Page 9, paragraph (c), lines 13-21, continued to Page 10, lines 1-4, remove the “mutual benefit society” reference and replace with “employer”. This section should be amended as follows:

- 13 (c) Every ~~mutual benefit society~~ [employer]
 that offers ~~sells, or~~
- ~~14 —renews a group hospital and medical service plan contract with~~
- 15 an option for a health savings account program shall:
- 16 (1) Include the employer limitations in this section in
- 17 any policy, contract, certificate, or agreement,
- 18 regardless of form; and
- 19 (2) Encourage informed decisions by providing ~~employers~~ [employees] a
- 20 one-page, double-sided declaration of understanding,
- 21 to be included with any program application that
- 1 explains in plain and simple language certain terms of
- 2 the program, including covered services, applicable
- 3 deductibles, claims processing, and the effective use
- 4 of the program for favorable tax treatment.

Lastly, Kaiser Permanente requests an effective date of January 1, 2017 to allow health insurers adequate time to implement the HDHP program with its employer groups and also seek pre-approval from the Prepaid Healthcare Council for this new benefit plan option.

Thank you for your consideration.



Friday March 18, 2016

9:45 AM.

Capitol Rm. 229

To: SENATE COMMITTEE ON CONSUMER PROTECTION & HEALTH

Sen. Rosalyn Baker, Chair

Sen. Michelle Kidani, Vice Chair

From: Hawaii Medical Association

Dr. Scott McCaffrey, MD, President

Dr. Linda Rasmussen, MD, Legislative Co-Chair

Dr. Ronald Keinitz, MD, Legislative Co-Chair

Dr. Christopher Flanders, DO, Executive Director

Lauren Zirbel, Community and Government Relations

Re: HB 2539 – RELATING TO INSURANCE

IN SUPPORT

Chair, Vice Chair, and Committee Members:

The Hawaii Medical Association strongly supports HB2539. As a longtime supporter of Health Savings Accounts, the HMA feels this is an important step in strengthening the patient-physician relationship and allowing patients to establish a measure of control in the level and costs of their care.

Although HSAs typically have a high deductible, the component of allowing a pre-tax savings account offsets this expense. Medical care is covered by insurance after the deductible is satisfied, many times at 100%. The deductible is paid from this account. The savings are accessed through a debit account which the patient controls. This establishes a sense of fiscal responsibility on the part of patients. This vested interest stimulates patients to seek out lower cost providers and treatment regimens, creating a degree of medical cost transparency. Guidelines are set as to the items/services for which the funds may be legally used.

Thank you for the opportunity to provide this testimony.

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**HB 2539 HD2 SD1
RELATING TO INSURANCE**

**DR. CHARLES KELLEY
CHAIR OF THE BOARD OF DIRECTORS
OUTRIGGER ENTERPRISES, INC.**

March 18, 2016

Chair Baker and Members of the Senate Committee on Commerce, Consumer Protection and Health:

Aloha. I am Dr. Charles Kelley, submitting this testimony in strong support of HB 2539 HD2 SD2, which facilitates the establishment health savings accounts in Hawaii.

I testify as Chair of the Board of Directors of Outrigger Enterprises, Inc. Our locally founded, owned and operated hospitality company currently employs almost 2,200 hosts throughout Hawai'i and spends over \$20 million every year on medical, dental and vision benefits for them and their families. We are proud to offer our employees outstanding health care insurance coverage which substantially exceeds the minimum employer requirements under the Prepaid Health Care Act.

I also testify as a medical doctor who practiced internal and occupational medicine in Hawai'i for over a decade before joining Outrigger. I know firsthand from my practice that there is great diversity throughout Hawaii's workforce in health care needs, delivery and financial circumstance.

In both capacities I have long supported health savings accounts for the basic reason that I believe strongly Hawaii citizens including employees and their families should have greater options in how they save and pay for their health care needs to match the diversity in their own circumstances. I also believe strongly that better mechanisms are needed to assist Hawaii's workers to save in their working years to pay for health care needs in retirement that are not covered by Medicare or Medicaid.

As I talk with Outrigger's employees, I encounter many who, after twenty, thirty or more years of employment are clearly ready to retire. And I ask them: "Why don't you retire now if you're ready and enjoy your retirement years?" A common response to my question is: "I need to continue my medical insurance, which I cannot afford on my own."

What a shame. If those employees had been in an employer supported and subsidized HAS plan for even a portion of their working years, many of them would have built up an account balance large enough to pay for their health needs in retirement.

The employer-based insurance programs that we have today are a “use it or lose it” system. In other words, the employer pays the insurance premium and if the employee does not use those funds for health care costs, they “lose it” at the end of the year. Nothing accumulates.

On the other hand, an HSA combined with a High-Deductible Health Care Plan is a “use it if you need it, or save it if you don’t” plan. Individual tax-advantaged payroll deductions contributed to an HSA can accumulate over the years to provide a comfortable retirement nest egg. I believe employees should have this option if it works best for their own situations.

Our health care system is complicated and there are a lot of details to consider. The advantages of HSAs have proven themselves in other states and they will work here in Hawaii. They are not for every employee and we would like to offer our employees the choice of either one of the currently approved health care plans or a Health Savings Account combined with a High Deductible Health Care Plan. During our annual enrollment period we will educate our employees on the pros and cons of each type of plan and help them choose the option that makes the most sense for their personal situation. Both options offer the same protective coverage for catastrophic medical illness.

Health savings plans are not something new. They have been around for a long time elsewhere in our country, have proven advantageous for many employees, and, whether or not employees choose them, they like having the choice. Because they also encourage greater individual decision making toward preventive healthcare and treatment options, they offer a valuable contribution to our overall nationwide effort to control rising health care costs for employers and employees alike.

Let’s move forward and make them possible here in Hawai’i. At Outrigger we are dedicated to working with you, the administration and the community to fashion legislation that achieves that goal in a way that is fully consistent with the commitments we have made to each other under the Prepaid Health Care Act.

March 18, 2016

Testimony on HB 2539, HD2, March 18, Room 229

Senator Roslyn Baker and Members of this Committee:

To the Honorable Members of the Hawai'i State Legislature,

I am pleased to offer this written letter of support for House Bill No. 2539, HD2 that address the establishment of Health Savings Accounts in Hawai'i.

Please allow me to introduce myself: I am Lena Young, Corporate Director of Operations & Human Resources for JTB Hawaii. I have also been involved with benefits administration through many years with such companies as Bank of Hawaii, Kamehameha Schools/ Bishop Estate, Bank of America, Hilo Hattie and City Mill.

Like many employers in Hawai'i, JTB Hawaii has witnessed a dramatic increase in our health care costs for our employees. We've attempted many initiatives pharmacy programs to incentivizing our employees to participate in wellness programs.

Health Savings Accounts (HSAs) provide the right incentive for employees to be mindful about appropriate health care consumption. The funds in HSAs belong to employees and are available to use for medical services now and in the future. Employees can take any funds in HSAs with them if they leave their jobs. HSAs provide an opportunity for employees to save for retiree medical costs. This is especially important as so many employees leave employment before age 65 without medical insurance. Plus savings invested in HSAs can grow tax-free under current IRS rules.

HSAs are the kind of partnership between employers and employees that will create an environment of mutual responsibility and reduce unnecessary health care expenditures. We urge you to pass legislation that will promote such a partnership through Health Savings Accounts.

Mahalo,



Lena Young
Corporate Director
Corporate Operations & Human Resources