
HOUSE RESOLUTION

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

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

4
5 WHEREAS, the State and counties strive to enhance the
6 health of public employees by maximizing their health plan
7 benefits and, at the same time, minimizing the costs of plans
8 provided by the Hawaii Employer-Union Health Benefits Trust Fund
9 (EUTF); and

10
11 WHEREAS, the preferred provider organization healthcare
12 plans offered by EUTF to the 65,000 active State and county
13 employees are provided by Hawaii Medical Service Association
14 (HMSA); and

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

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21 WHEREAS, HMSA anticipates that 90 percent of its 720,000
22 member-subscribers will be immediately affected by the change
23 and, by the year 2020, the entire State will be converted to the
24 capitated payment model; and

25
26 WHEREAS, HMSA's objectives for the capitated payment model
27 are to: improve the overall health of the population, provide
28 quality treatment, and contain rising medical costs; and



1 WHEREAS, HMSA asserts that the capitated payment model:

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- 3 (1) Encourages medical providers to spend more time with
4 the patients who need the most care;
- 5
- 6 (2) Provides flexibility in treating patients who require
7 a lower level of care by encouraging consultation with
8 and treatment of those patients by text message,
9 electronic mail, or telephone; and
- 10
- 11 (3) Has providers encourage patients to participate in
12 medical screenings, maintain a regular exercise
13 regimen, and make healthy lifestyle choices; and
- 14

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

- 17
- 18 (1) Rewarding medical providers who administer treatment
19 to fewer patients at their facilities; and
- 20
- 21 (2) Discouraging medical providers from accepting new
22 patients or treating patients who suffer from severe
23 illnesses and require more resources; and
- 24

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

- 27
- 28 (1) Drastically reduce reimbursements to the providers and
29 significantly increase the time required to satisfy
30 HMSA's reporting requirements;
- 31
- 32 (2) Require substantial investment to upgrade information
33 technology and increase overhead expense to retain
34 more staff to process the additional documentation;
- 35
- 36 (3) Compel practitioners to decline to participate with
37 the patient's HMSA coverage because of the low
38 reimbursement rates; and



1 (4) Exclude independent practitioners from the marketplace
 2 and compel practitioners to consider closing their
 3 practice; and
 4

5 WHEREAS, the Insurance Commissioner is the State's expert
 6 on mutual benefit societies, accident and health or sickness
 7 insurance, HMSA's financial condition, health insurance rate-
 8 making, health provider network adequacy, and mandatory health
 9 insurance benefits, and is attuned to the healthcare insurance
 10 marketplace through complaints from and dialog with consumers,
 11 healthcare providers, and healthcare insurers; now, therefore,
 12

13 BE IT RESOLVED by the House of Representatives of the
 14 Twenty-ninth Legislature of the State of Hawaii, Regular Session
 15 of 2017, that the Insurance Commissioner is requested to report
 16 on capitated payment models by healthcare insurance plans; and
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18 BE IT FURTHER RESOLVED that this report analyze the impacts
 19 of HMSA's capitated payment model with regard to:

- 20
- 21 (1) The quality and accessibility of healthcare for the
 22 patients;
 - 23
 - 24 (2) The costs to operate healthcare provider businesses
 25 including independent healthcare providers, healthcare
 26 clinics, and hospitals;
 - 27
 - 28 (3) The level of reimbursement to healthcare providers and
 29 whether the reimbursements are sufficient to ensure
 30 the viability of the provider's business;
 - 31
 - 32 (4) Whether the model deters the formation of new
 33 independent healthcare practices;
 - 34
 - 35 (5) EUTF's cost to procure healthcare plans; and
 - 36
 - 37 (6) HMSA's cost to provide healthcare plans and the
 38 consequences on healthcare insurance rates and
 39 premiums; and



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1 BE IT FURTHER RESOLVED that the Insurance Commissioner
 2 submit a final report of findings and recommendations to the
 3 Legislature and conduct an informational briefing for
 4 legislators, all affected parties, and the general public no
 5 later than 20 days prior to the convening of the Regular Session
 6 of 2018; and

7
 8 BE IT FURTHER RESOLVED that the Legislature recommends that
 9 healthcare insurance carriers do not implement the capitated
 10 payment model unless the Insurance Commissioner's final report
 11 and the public support at the informational briefing favor the
 12 capitated payment model; and

13
 14 BE IT FURTHER RESOLVED that certified copies of this
 15 Resolution be transmitted to the Governor and the Insurance
 16 Commissioner.

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