
HOUSE CONCURRENT 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
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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
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11 WHEREAS, Hawaii is in the midst of a physician shortage,
12 with the latest estimates by the Hawaii/Pacific Basin Area
13 Health Education Center finding that Hawaii is approximately
14 seven hundred physicians short when compared to similarly sized
15 communities across the country, a number expected to grow to
16 one-thousand five-hundred physicians over the next decade; and
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18 WHEREAS, the physician shortage affects all areas of the
19 State, including Oahu's rural areas that are struggling with
20 maintaining adequate numbers of primary care providers and other
21 physicians, and other islands that are experiencing even greater
22 loss in the number of physicians practicing in those areas; and
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24 WHEREAS, the County of Hawaii is experiencing a large and
25 growing physician shortage with a 39 percent shortfall of
26 physicians and 49 percent shortfall for primary care physicians,
27 and Hilo has seven fewer physicians in 2017 than it did in 2016;
28 and



1 WHEREAS, Hawaii's demand for physicians increases by
2 approximately 50 while the number of physicians practicing in
3 the State decreases by approximately 50 each year; and

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5 WHEREAS, adding to the growing physician shortage in Hawaii
6 is the imminent retirement of a large number of currently
7 practicing physicians, with over half of all physicians
8 currently practicing in Hawaii reaching the retirement age of 65
9 over the next ten years; and

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

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

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

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

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

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



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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, the Senate concurring, that the Insurance Commissioner



1 is requested to report on capitated payment models by healthcare
2 insurance plans; and

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4 BE IT FURTHER RESOLVED that this report analyze the impacts
5 of HMSA's capitated payment model with regard to:

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7 (1) The quality and accessibility of healthcare for the
8 patients;
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10 (2) The quality and accessibility of primary care
11 physician services;
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13 (3) The costs to operate healthcare provider businesses
14 including independent healthcare providers, healthcare
15 clinics, and hospitals;
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17 (4) The level of reimbursement to healthcare providers and
18 whether the reimbursements are sufficient to ensure
19 the viability of the provider's business;
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21 (5) Whether the model deters the formation of new
22 independent healthcare practices;
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24 (6) EUTF's cost to procure healthcare plans;
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26 (7) HMSA's cost to provide healthcare plans and the
27 consequences on healthcare insurance rates and
28 premiums; and
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30 (8) Insured individuals covered by commercial or employer-
31 based health insurance plans; and
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33 BE IT FURTHER RESOLVED that this report additionally
34 examine the capitated payment reimbursement rates of other
35 states; and
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37 BE IT FURTHER RESOLVED that the Insurance Commissioner
38 submit a final report of findings and recommendations to the
39 Legislature and conduct an informational briefing for
40 legislators, all affected parties, and the general public no
41 later than 20 days prior to the convening of the Regular Session
42 of 2019; and



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

OFFERED BY:

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