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



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

6
7 WHEREAS, even if every slot for a medical student at the
8 John A. Burns School of Medicine were filled with medical
9 students willing to practice in Hawaii upon completion of their
10 medical education, the physician shortage would still exist and
11 would not be resolved in the near future, particularly in the
12 area of primary care, since there is a shortage of approximately
13 three hundred physicians, a number expected to rise as Hawaii's
14 ever growing and aging population increases the need for primary
15 care providers; and

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17 WHEREAS, one reason for the physician shortage,
18 particularly primary care physicians, is the lack of adequate
19 reimbursement rates; and

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21 WHEREAS, the Legislature recognizes that micromanaging
22 medical care contributes to physician burnout; and

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

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28 WHEREAS, the preferred provider organization healthcare
29 plans offered by EUTF to the 65,000 active state and county
30 employees are provided by Hawaii Medical Service Association
31 (HMSA); and

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

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38 WHEREAS, HMSA anticipates that 90 percent of its over
39 730,000 member-subscribers will be immediately affected by the
40 change and, by the year 2020, the entire State will be converted
41 to the capitated payment model; and



1 WHEREAS, HMSA's objectives for the capitated payment model
2 are to improve the overall health of the population, provide
3 quality treatment, and contain rising medical costs; and
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5 WHEREAS, HMSA asserts that the capitated payment model:
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- 7 (1) Encourages medical providers to spend more time with
8 the patients who need the most care;
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- 10 (2) Provides flexibility in treating patients who require
11 a lower level of care by encouraging consultation with
12 and treatment of those patients by text message,
13 electronic mail, or telephone; and
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- 15 (3) Has providers encourage patients to participate in
16 medical screenings, maintain a regular exercise
17 regimen, and make healthy lifestyle choices; and
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19 WHEREAS, critics claim that capitated payment models are
20 detrimental to quality patient care by:
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- 22 (1) Rewarding medical providers who administer treatment
23 to fewer patients at their facilities; and
24
- 25 (2) Discouraging medical providers from accepting new
26 patients or treating patients who suffer from severe
27 illnesses and require more resources; and
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29 WHEREAS, critics assert that capitated payment models
30 create unfavorable business conditions that:
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- 32 (1) Drastically reduce reimbursements to the providers and
33 significantly increase the time required to satisfy
34 HMSA's reporting requirements;
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- 36 (2) Require substantial investment to upgrade information
37 technology and increase overhead expense to retain
38 more staff to process the additional documentation;



1 (3) Compel practitioners to decline to participate with
2 the patient's HMSA coverage because of the low
3 reimbursement rates;
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5 (4) Transfer a significant portion of the burden of
6 providing medical care towards emergency rooms, which
7 is both more expensive and provides poorer health
8 outcomes for consumers; and
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10 (5) Exclude independent practitioners from the marketplace
11 and compel practitioners to consider closing their
12 practice; and
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14 WHEREAS, HMSA's capitated payment model used to reimburse
15 primary care providers will pay an average of \$24 per patient
16 per month, which will require a physician in solo practice to
17 work over two hundred hours per month and care for over one-
18 thousand five-hundred patients to receive a fair and reasonable
19 salary, not including costs for overhead, staff, or supplies;
20 and
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22 WHEREAS, the rate of \$24 per patient per month under HMSA's
23 capitated payment model is low when compared to other states
24 that have a capitated system for the reimbursement of physicians
25 which have reimbursement rates that are much higher than HMSA's
26 per patient per month rate; and
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28 WHEREAS, the Insurance Commissioner is the State's expert
29 on mutual benefit societies, accident and health or sickness
30 insurance, HMSA's financial condition, health insurance rate-
31 making, health provider network adequacy, and mandatory health
32 insurance benefits, and is attuned to the healthcare insurance
33 marketplace through complaints from and dialog with consumers,
34 healthcare providers, and healthcare insurers; now, therefore,
35

36 BE IT RESOLVED by the House of Representatives of the
37 Twenty-ninth Legislature of the State of Hawaii, Regular Session
38 of 2018, that the Insurance Commissioner is requested to report
39 on capitated payment models by healthcare insurance plans; and



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

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



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

OFFERED BY:

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