AFFORDABLE HEALTH INSURANCE WORKING GROUP
ACT 43, (HB 552 HD1 SD2 CD1), SESSION LAWS OF HAWAI'I 2017

Meeting Minutes

DATE: October 24, 2017

TIME: 2:00 PM

PLACE: Conference Room 229
State Capitol

Working Group Attendees:
Senator Rosalyn Baker, Co-Chair
Representative Della Au Belatti representing Co-Chair Representative John Mizuno
Gordon Ito, Insurance Commissioner, Dept. Commerce and Consumer Affairs
Judy Mohr Peterson, Med-QUEST Administrator, Dept. Human Services
Linda Chu Takayama, Director, Dept. Labor and Industrial Relations
Virginia Pressler, Director of Health, Dept. of Health

I. Introduction of Members and Staff present

II. Review and Approval of Minutes from Previous Meeting

Minutes approved with no amendments

III. *and* IV. Update on Federal Actions *and* Working Group Roundtable Discussion

Note: Full audio and video recordings of the Working Group Meeting, as well as the documents and presentations referenced are available on the Capitol Website and can be accessed at the following address: http://www.capitol.hawaii.gov/specialcommittee.aspx?comm=ahiwg&year=2017

The Working Group explored the following items:

- Review of recent federal Executive Order (EO) Promoting Healthcare Choice and Competition Across the United States. "Administrative Branch Memo" outlined the collective concerns of the Ige Administration regarding the federal EO. The discussion included the following:
    - Association Health Plans (AHPs) and their potential to undercut state insurance law; potential legal challenges if the federal administration attempts to undermine state control of insurance regulation;
    - Short-term Limited-Duration Insurance (STLDI), the regulations from which they are exempt; consumer protection issues arising from allowing STLDI to be purchased for up to 12 months; the impact of STLDIs on the local individual insurance market;
    - Description of Health Reimbursement Arrangements (HRAs); and
    - Need to continue monitoring potential impacts of the EO due to the absence of enumerated policy changes.

- Impact of the decreasing size and increasing morbidity of the individual and small group insurance markets and the impact on premiums, and potential spillover impact to Medicaid, potentially occurring as a result of the EO

- Current federal bipartisan proposal (Alexander-Murray bill) to fund cost-sharing reduction payments (CSRs) and grant flexibility to the 1332 waiver process under the ACA including whether the interstate compacts described in the bill would be optional

- Impacts to insurers from the announced ending of CSR payments, and changes the plans have made in response; the availability of off-exchange silver level plans offered by Kaiser and HMSA for those who do not qualify for ACA subsides

- Description of how insurance companies set rates, solvency requirements and the responsibilities of DCCA's Insurance Division in regulation of rates

- Potential request for second 1332 waiver for Hawai'i to create a high-risk reinsurance program, potential timelines for the waiver request, challenges to creating this reinsurance program, and impacts of such a program.

- Potential Medicaid waiver, its potential topics/focus and subsequent requirements of DHS

- Potential funding required for full buildout of an all-payer claims database which would be instrumental in identifying the cost-drivers in healthcare

- Potential impact of federal tax reform legislation to Medicaid funding, and the necessity to engage in discussions regarding an appropriate response for Hawai'i

- Discussion of the initiatives the State can pursue to deliver better care for less money and begin to bend the cost curve

V. Next Steps and Announcements

- Date for the November Working Group will be posted on the website

- December Working Group meeting will focus on recommendations to the 2018 Legislature

- Legislative Reference Bureau will assist with drafting the report from the Working Group

VI. and VII. Questions

Q: How can Hawai'i mitigate a loss of Medicaid funding, and move towards more universal coverage?
A: There will be many hard decisions to make if Medicaid is drastically cut. Hawai'i is close to universal coverage, with uninsured numbers in the single digits. To continue to reduce the number of uninsured, it will require cooperative approaches, including FQHCs and others working toward the goal.

Q: Is there anything that can be done to negotiate reduced drug prices through Med-QUEST?

A: It is worth a conversation. Medicaid purchases all services through Medicaid managed care plans, and the managed care plans are negotiating their prices with the drug manufacturers. Med-QUEST is not directly involved with that negotiation. Some states with managed care plans have figured out a way to have the program play a central role in negotiating those costs. If the question is whether Medicaid can play a role in negotiating drug prices outside of managed care plans, the answer is maybe. More research would need to be done into what the possibilities are, and more research into the various restrictions on negotiating drug prices at the federal level. The conventional wisdom is that the feds have prevent states and their own agencies from negotiating drug prices. Legislature has attempted to put some boxes around it, with the legislation signed into law last year on PBMs (Pharmacy Benefits Managers), which are the gatekeepers. There is very little transparency, and the law asked the Insurance Commissioner to help peel back the onion. Clearly, if Congress were interested in helping with some of the biggest cost drivers, there would be federal legislation to require negotiated drug prices. States are at a clear disadvantage in the current federal environment.

Q: Hawai'i had some of the lowest cost health plans until about 10 years ago. Since then, changes were made that increase the complexity of managed care, which resulted in increased costs. Given that we have a 10 year track record to look at the changes made to managed care which increased costs, is there any thought of going back to the previous system which cost less?
A: A recent letter from Sen. Johnson of Wisconsin's office claimed that our Medicaid expansion costs were exorbitant. We look into the data and found that he had chosen two numbers and done incorrect math, which ended up completely misrepresenting our growth over that time-period. In fact, our expenditures on the Medicaid side since 2013 – 2014 averaged only 2-3% on a per person basis per year, which is far below the national average. Consequently, the reason the cost went up had everything to do with the number of people we are covering, and not costs in general. That does not mean that we are not interested in reducing overall costs. We have had managed care for more than 10 years, and we have found that particular system until now to be very cost effective and efficient. There is always room for improvement, but we would not ascribe increase in healthcare costs to the introduction of managed care.

VIII. Adjournment