

Hawaii's people deserve better access to quality, affordable health care.

Insurance Division Seeks to Maintain Healthy Insurance Industry

Interview with J.P. Schmidt, Insurance Commissioner, State of Hawaii



Q. What role does the Insurance Division play in Hawaii's health insurance industry?

A. The Insurance Commissioner and the 76 employees in the Insurance Division are responsible for administering the provisions of the Insurance Code that regulate insurance carriers and health plans operating in Hawaii. The Insurance Division oversees 987 insurance companies licensed to do business in Hawaii, and 24,015 licensed producers (brokers and agents). The Division is composed of seven branches that perform critical industry oversight and consumer protection functions, including: reviewing rate and policy filings; investigating consumer complaints and recovering settlements from insurance companies and producers; and analyzing financial statements for solvency and compliance with the Insurance Code.

In 2003, health insurers requested premium increases of 11-15%, in 2004 around 8%, in 2005 between 3 and 6%. The Health Branch began reviewing and regulating health insurance premium rates in 2003. I have approved some rate filings and denied others when the rate requested was determined to be excessive. The resulting reduction in rates has saved Hawaii citizens over \$18.5 million in health insurance premium costs.

The Captive Insurance Branch regulates captive insurance companies set up by large companies to manage their risk and insurance needs. Hawaii has 147 captive insurance companies, making it the second largest captive domicile in the nation and in the top ten in the world. The Insurance Division also regulates medical malpractice insurance for doctors and hospitals, which also has an impact on health care in Hawaii.

Q. During your tenure as Insurance Commissioner, what trends are you seeing in Hawaii and across the country within the health insurance industry?

A. Hawaii is unique as the only state with a law that requires employers to provide health insurance to any and all full time employees, the Prepaid Health Care Act. As a result, we have one of the lowest uninsured populations in the nation. Other states are struggling with large uninsured populations, which add significant costs to the health care system. Some states have seen a growth in "consumer-driven" health care. This usually means an insurance plan with a lower premium because it has a high deductible and perhaps a Health Savings Account feature. These plans intend to have the consumer consider their use of health services and avoid overuse. Unnecessary use of health services is one factor attributed to the rise in health care costs. Outcome-based health care is being studied to provide more appropriate and efficient health services. A national health care system has been discussed more over the past year or so, as our nation struggles with some of the difficult challenges in health care today.

Q. What initiatives are being proposed by the Division to assist those in Hawaii without health insurance?

A. One concern for the uninsured (and for everyone) is the cost of health insurance. A good competitive market and

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HUP Team Leader Co-Authors Award-Winning Article



*Loretta Fuddy,
winner of the 2005
Pro Humanitate Award*

Loretta Fuddy, Department of Health Family Health Services Division Chief and Hawai'i Uninsured Project Principal Investigator, has been honored as one of the winners of the 2005 Pro Humanitate Literary Award for an article she co-authored with Dr. Anne Duggan, Dr. Calvin Sia, Elizabeth McFarlane, Amy Windham, Susan Higman, and Lori Burrell. The North American Resource Center for Child Welfare recognizes literary works that best exemplify the intellectual integrity and moral courage required to transcend political and social barriers to promote “best practice” in the field of child welfare.

The article, entitled “Evaluating a Statewide Home Visiting Program to Prevent Child Abuse in At-Risk Families of Newborns: Fathers’ Participation and Outcomes,” was published in *Child Maltreatment* in February 2004. The study was based on a randomized trial that followed 643 at-risk families for three years, assessing program impact on parenting.

The researchers found overall that the program, which primarily focuses on mothers, had no apparent impact on fathers’ accessibility to the child, engagement in parenting activities, and sharing of responsibility for the child’s welfare. However, the Healthy Start Program promoted parenting involvement for nonviolent fathers in couples that lived together. These differences highlight the need to consider the entire family context in developing, implementing, and studying home-visiting models, and have driven the program to address specific needs of fathers in the delivery of home visitation service.

The team won \$1,000 for their efforts, along with solid silver Pro Humanitate Medals. Congratulations!

CNN’s Dr. Sanjay Gupta Delivers Keynote Address



Dr. Sanjay Gupta, the keynote speaker at the Hawaii Institute for Public Affairs Third Annual Health Policy Forum, acknowledged that stories about the uninsured are often overlooked by the media and difficult to tell – there are no obvious and easy solutions, and the statistics are overwhelming and confusing. Dr. Gupta, CNN medical correspondent and practicing neurosurgeon, recounted the story of Charity Hospital in New Orleans, one of nine public hospitals providing quality medical care to Louisiana residents regardless of income or insurance status. As evacuation efforts in the aftermath of Hurricane Katrina were expedited for private hospital patients, some of Charity’s sickest patients waited days for help; many died waiting. Katrina’s devastation was heartbreaking, but it provided a rare opportunity to illustrate the challenges and disparities in America’s health care system.

Gupta quoted from a recent *New Yorker* article by Malcolm Gladwell about the current state of our health care system. The numbers are compelling: the death rate for the uninsured is 25 percent higher than those who are insured; the leading cause of personal bankruptcy is unpaid medical bills. The U.S. spends more than \$5,000 per capita for health care compared to \$2,000 for the rest of the world, yet we have fewer doctors and people live shorter lives and are less satisfied with their health care. The U.S. spends \$40 billion on paperwork, and 45 million people do not have any kind of health insurance.

Some of the current thinking driving health care policy is based in part on the theory of “moral hazard” – that having health insurance influences the behavior of the person being insured. Lower premiums and co-payments may create higher utilization of services, but if consumers are forced to pay higher premiums and co-payments, they may be motivated to take better care of themselves. This theory has many policymakers reluctant to expand health insurance coverage and looking more seriously at initiatives to minimize moral hazard and overconsumption, including health savings accounts – tax free accounts established by individuals to pay for routine medical expenses, along with high deductible catastrophic plans. To date, however, only about one million individuals have established HSAs, and Gupta noted that catastrophic events such as Katrina underscore the urgency for solutions that provide health care access for all Americans.

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choices are two important factors affecting the cost of health insurance. Recently, a new health insurer, Summerlin Life & Health, has entered the Hawaii market. In addition, due to the good work of Insurance Division staff and the officers of University Health Alliance, UHA has been able to emerge from rehabilitation and once again become a healthy competitor in the marketplace.

The Prepaid Health Care Act has an exemption from ERISA, the federal law that controls employee benefits. Therefore, we can not amend the Act to address certain problems that have arisen over the years because Hawaii would likely lose the exemption and our entire employer-based system would be lost. However, I have worked within the confines of the law and in partnership with the Director of Labor, Nelson Befitel, to provide more flexibility. We determined that the law allowed approval of A rated plans, which most employers choose, if the plan provides benefits equal to or “medically reasonably substitutable” for benefits provided by the plan with the most members. Previously the Prepaid Health Care Advisory Council had focused on the “equal to” language, only approving plans that were the same as the prevailing plan. The Council has recently approved plans that are not the same as but

are “medically reasonably substitutable for” the prevailing plan. For instance, some 80/20 plans that are not the same as the 90/10 prevailing plan have been approved, providing more choices for Hawaii consumers.

In addition, we proposed and the Legislature enacted a law allowing Association Health Plans. This allows associations like the Maui Chamber of Commerce, the Auto Trades Association, Mortgage Brokers Association, and others to provide a health plan to their members. Their members can often realize savings by being a part of a larger group and pooling the risks in the group. 22 associations have taken advantage of this law since its enactment in 2004, providing coverage for 14,575 members.

The Insurance Division has been working with health insurers to structure a basic health plan with a low premium that would be more attractive to the working uninsured. The Insurance Division has also been working with the Health Care Task Force and the Hawai'i Uninsured Project to find solutions to a variety of problems in our health care system.

Health Care **Task Force** Moves Ahead with Single-Payer Analysis

One of the responsibilities assigned to the Hawai'i Health Care Task Force is to contract for a cost analysis to compare the costs of the current health care system with a single-payer system. The Task Force recently selected The Lewin Group, a management and consulting firm specializing in health policy and research, to conduct the analysis. With extensive experience analyzing health care reform systems, The Lewin Group has conducted analyses of several single-payer proposals at the state and national levels. Lewin has developed a

Health Benefits Simulation Model, which will be customized to provide a Hawaii-specific analysis of the cost and coverage impacts of a single-payer system. The analysis is expected to be completed by Spring 2006. The Task Force has finalized an interim report to the Legislature that provides information about the uninsured in Hawaii and outlines Task Force activities, accomplishments, and proposed recommendations. The report is available on the HUP's website at www.healthcoveragehawaii.org.



Milestones

TO COVERAGE

More Options. Better Access. Hawaii needs it now.

Panel Shares Challenges and Successes of Worksite Wellness Programs

One of the highlights of HUP's October health policy forum was a panel discussion about worksite wellness given by human resources directors **Sheri Braunthal, Outrigger Hotels & Resorts; Cliff Hayashi, Times Supermarket; and Dinny Trinidad, Hawai'i Prince Resorts**. The costs to implement the programs have been nominal yet they have yielded a return on investment through improved health and well-being of their respective employees, increased productivity, and reduced health care costs and absenteeism.

Moderated by **Stacy Evenson from HMSA and Marianne Dymond from Kaiser Permanente**, the panelists gave an overview of their program and discussed the challenges and opportunities in creating a healthier workforce. At Times Supermarket, employees were initially asked to voluntarily participate in free annual health screenings, but no one took up the offer. Times decided to charge those who didn't participate \$500 for those on a family plan; \$150 for employees on a single plan. It worked; over 95% of Times employees participate in the program, with success stories ranging

from early detection and treatment of cancer to successful management of chronic diseases.

Outrigger Hotels & Resorts takes a multi-faceted approach, including requiring employees to get proper prenatal care and reimbursing them up to \$50 for the purchase of a child car seat. They also coordinate with national programs such as the American Cancer Society's Breast Cancer Awareness Month with reminders about mammogram screenings and the Great American Smoke Out to encourage co-workers to support those trying to quit smoking. Free turkeys or Thanksgiving dinners are given to those who quit "cold turkey." Employees are encouraged to participate in the annual health fair, where they can receive free flu shots, screenings, and information on healthy living. A 10-week, 10,000 steps per day walking incentive program yielded a combined loss of more than 70 pounds by participants.

The Hawaii Prince Resorts' philosophy of "sharing with kindness from within" sets the tone for all of their wellness initiatives. Every employee is included in discussions about health care costs, the importance of taking time to care for self and family, and understanding what "wellness" means.



HUP's Laurel Johnston introduces the worksite wellness panel: Marianne Dymond, Dinny Trinidad, Cliff Hayashi, Sheri Braunthal, and Stacy Evenson.

Healthy snacks are provided to employees; the cafeteria prepares healthy meals that include soy or rice milk, brown rice, and low-fat desserts. Acupuncturists and nutrition counselors are brought in regularly, and employees earn points and prizes for participating in "healthy" activities such as going to HealthPass, getting a flu shot, and joining the safety committee.

While each panelist presented different approaches to their success, some of the common key elements heard throughout included the importance of: creating awareness and educating employees about health care costs and personal responsibility for choosing to live a healthy lifestyle, motivating employees with incentives, having management support to implement and maintain a program, and being innovative and creative in motivating employees to participate.

> National Experts Offer Insights About Affordable *and* Accessible Health Care

On October 17th, leaders in health care, business, labor, social services, government, and community organizations gathered at the Hawaii Institute for Public Affairs 3rd Annual Health Policy Forum to hear distinguished national experts discuss options for making health insurance more affordable and accessible. While Hawaii's uninsured rate at 9.6 percent is among the lowest in the nation, at any given time, an estimated 114,000 Hawaii residents of all ages, income levels, ethnicities, and employment status are without any kind of health care coverage.

Cost Drivers of Health Care. According to *Enrique Martinez-Vidal* of *AcademyHealth*, national health spending has nearly doubled since 1995 – from \$990 billion to a projected \$1.937 trillion in 2005, and about 25 percent of the adult population ages 18-64 account for 80 percent of health care spending. Since 1987, the percentage of median family income required to buy family health insurance has more than doubled from 8 percent to 17 percent in 2003, making health care coverage unaffordable for many families. Health care cost drivers include the decline in managed care, a fragmented financing system, advances in medical technology, rising prevalence of treated disease including obesity, and direct marketing of drugs to consumers. Martinez-Vidal urged seeking long-term solutions that promote evidence-based medicine and public financing for the uninsured.

Kenneth Thorpe, Ph.D., Rollins School of Public Health at *Emory University*, discussed his research on key factors that account for growth in health care spending: 1) 80 percent of total health care spending is linked to chronically ill patients; 2) the chronically ill receive approximately one-half of all clinically recommended medical care; 3) the rise in “treated disease prevalence” – i.e., heart disease, diabetes, cancer, depression, high blood pressure – accounts for nearly two-thirds of the growth in spending; and 4) the rise in obesity prevalence in the U.S. accounted for 27 percent of the growth in health spending over the past 20 years. Thorpe suggested that any policy options for health care reform need to address the key drivers of cost – especially risk factors for obesity – through school-based interventions; new and effective health, wellness, and disease prevention programs; and financial incentives to participate in these programs.

Purchasing Pools. *Rick Curtis*, President of the *Institute for Health Policy Solutions* outlined the basics of a purchasing pool, a mechanism that allows groups of people to join together for the purpose of purchasing health insurance. In theory, the larger the pool, the stronger its purchasing power. However, merely pooling small groups and individuals together will not

Mahalo to The Robert Wood Johnson Foundation, U.S. Department of Health & Human Services, Health Resources & Services Administration, Hawai'i State Department of Health, University of Hawai'i, and the Hawai'i Health Information Corporation for their support of the 3rd Annual Health Policy Forum – Turning Point or Tipping Point .

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result in a balanced risk pool with a cohesive membership. Curtis suggested that a pool of employees from small businesses and those exempt from the Prepaid Health Care Act – self-employed, part-time, and others – could be a tool for improving affordability, accessibility, coverage rates, and choice if adequate subsidies and meaningful incentives such as tax credits are offered.

Highlights and presentations of the 2005 Health Policy Forum are available on the Hawai'i Uninsured Project's website, www.healthcoveragehawaii.org.

MISSION

To ensure health coverage access to all who need it.

Working in partnership with researchers and the community, the project is an educational resource to support policy-makers as they develop workable plans that will cover the uninsured. The project also aims to raise awareness and improve understanding of the problem's magnitude and the consequences of a large uninsured population.

The Hawai'i Uninsured Project is a program of the Hawaii Institute of Public Affairs, an independent, nonpartisan and nonprofit organization dedicated to elevating Hawaii's public decision-making process through sound public policy analysis, fact-based research and community .

This newsletter is supported in part by funding from The Robert Wood Johnson Foundation, awarded to the State of Hawaii Department of Health.

The issues of health coverage access can only be solved by a coordinated effort of all segments of our community. Our ohana represents a strong, broad and growing alliance.

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Milestones
TO COVERAGE



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