

**Recommended Strategies -
Reducing Hawaii's Medically
Uninsured Population**

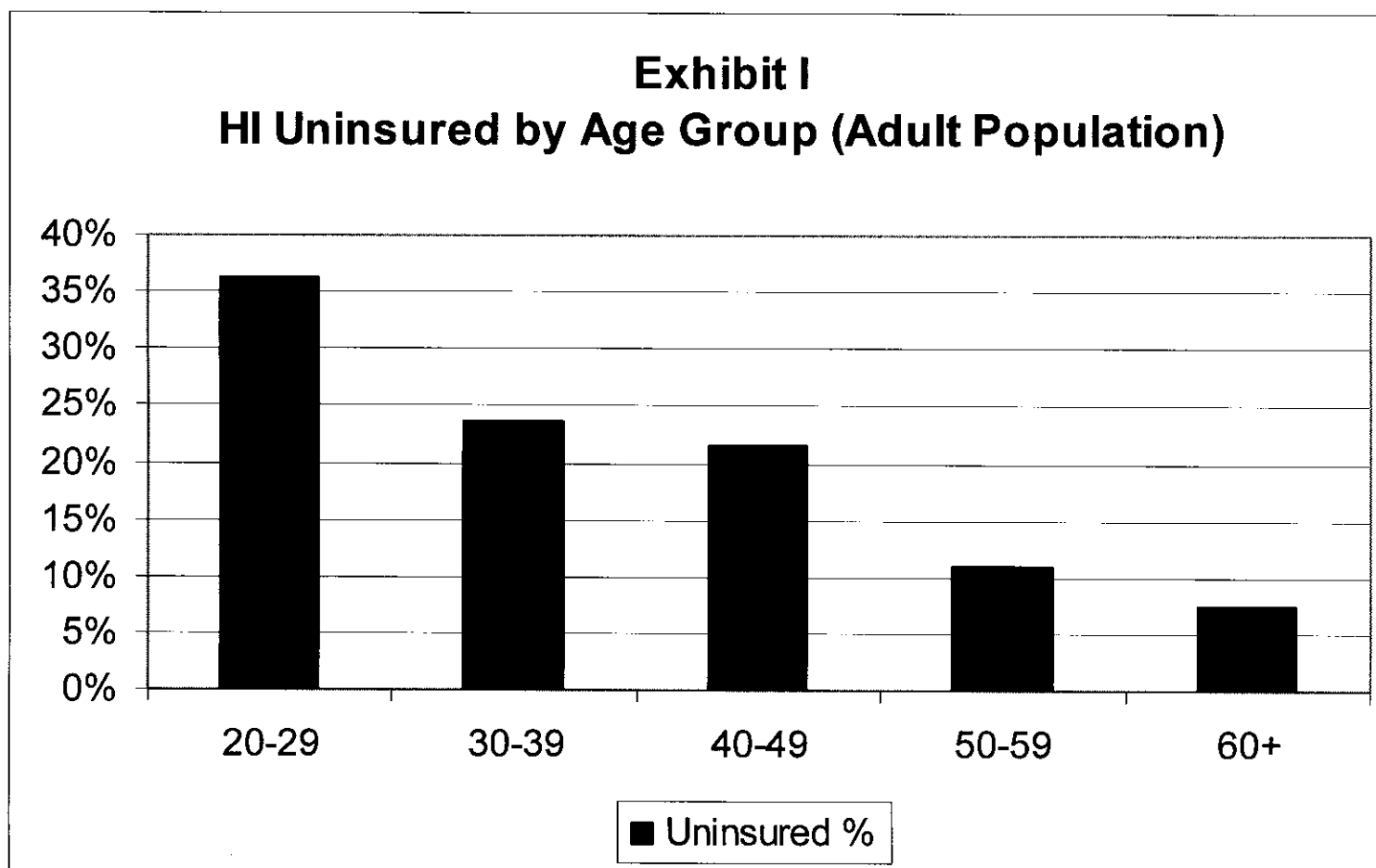
**Presentation to the Healthcare
Task Force**

January 10, 2006

Uninsured Problem

- 65,000+ uninsured in Hawaii
- Predominantly younger, or self-employed
- Biggest barrier to coverage: Cost

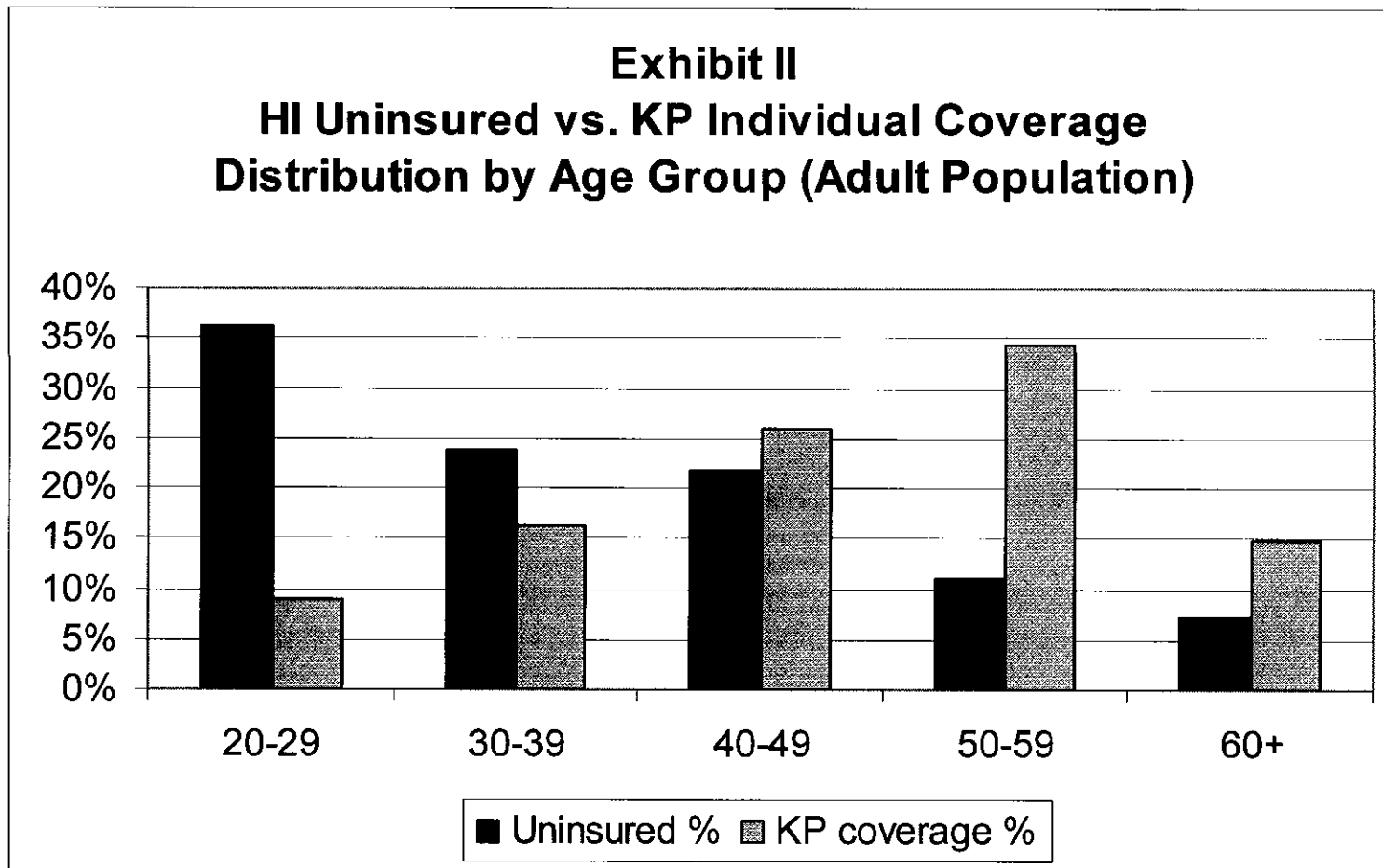
Hawaii's Uninsured Population



Problems with Hawaii's Individual Insurance Market

- Benefits have traditionally followed group benefit designs
 - Very rich benefits → high costs → low affordability
- Plans offered in Hawaii are “Community Rated” (rates do not vary by age or gender)
 - Actuarially inappropriate
 - Limits affordability for younger population
- Result: significant discrepancy between demographics of individual insured market and uninsured population

Hawaii's Uninsured Population vs. KP's Covered Individual Population



Strategy 1

Age & Gender-Based Rating

- Current individual plan rates average over \$200/month, regardless of age or gender
- Age- and gender-based rating would offer rates on an identical plan of \$110 to \$350
 - Increases affordability for most uninsureds

Strategy 2

Limited Benefits

- Individual plan benefits have traditionally followed commercial group “prevalent” plan designs under the Prepaid Healthcare Act
- Offering leaner plans for individual coverage could reduce rates materially
 - High Deductibles + Lower Coverage Levels
 - ➔ low costs ➔ high affordability

Strategy 2

Limited Benefits - continued

- Common limitations in most states
 - Maternity coverage is often excluded or subject to a waiting period. Exclusion of maternity coverage typically reduces rates for young females up to 25%
 - Common limitations on number of covered Inpatient days, office visits
 - Common exclusions of DME, others

Strategy 3

HSA-Compatible Plans

- Consistent with new federal regulations
- Deductible enables reduced premium rates
 - Up to 30% lower than current plan
- Tax favored benefit status aids self-employed population