J.P. Schmidt, HCTF Draft No. 1 (March 8, 2006) addressing points 14, 15, 17

Lower priced health plans.

Many of the uninsured are younger or self-employed or part-time workers. For some of these persons, a principal deterrent to obtaining health insurance is the high cost of the premiums. Therefore, one solution may be to offer lower priced health plans. This may not solve the entire problem of the uninsured, but it may have an impact those that have a desire for health insurance and are willing to pay something for it. Three lower priced alternatives include (a) high deductible health plans coupled with a health savings account, (b) an individual policy that is age and gender rated; and (c) a limited benefit plan. The benefit of these solutions is that they rely on the private market rather than a government intervention.

HSA compatible plans. A health savings account is an account that can be used to pay for medical expenses, in particular the expenses that fall within the deductible of a high deductible health plan. High deductible health plans coupled with health savings accounts can result in premium rates up to 30 percent lower than existing plans. In addition, there is a tax benefit and investment component to the health savings account because it accrues interest on a tax free basis. This may be sufficient to attract some portion of the uninsured to join the insured population. Because the Prepaid Health Care Act encourages conformity with the prevalent plan, HSA's may not be initially viable for employer groups. The target market are sole proprietors, part-time employees, and those not in the work force.

Age and gender rated plans. Currently, individual plan rates average over $200 per month. If these plans were rated for differences in gender and age, it may be possible to offer a range of rates from about $110 to $350.[1] Older persons generally have worse health claims experience than younger persons. Women generally cost more than men during the child-bearing years, while men cost more than women when they become elderly. Age and gender rating would make it possible to offer lower priced policies to younger persons, particularly younger males. To minimize the hardship on older persons, health plans should not be allowed to require age and gender rating for persons already obtaining a community rate under an existing policy. Under this system, persons adversely affected by age and gender rating would retain their existing policies, while persons favorably affected by the rating may seek to join the ranks of the insured population. The primary target market for this group are the individuals between the ages of 19-34 who comprise nearly one-half the total number of uninsured adults.

Limited benefit health plans. The requirements of the Prepaid Health Care Act tend to result in group health plans with a rich benefit package. It is possible, however, to offer individual (non-group) policies or policies for part-time workers that have more limited benefits. The more limited the benefit package, the lower the premium. Limited benefit

[1] Assumption based on a Kaiser individual policy.

plans have been criticized as having low take up rates and resulting in underinsurance.[2] However, given rising medical costs, employers nationwide are increasingly turning towards limited benefit plans that cover a limited number of doctor visits, prescription drugs, and tests, but do not cover major medical expenses.[3] Offering a limited benefit plan with add-on options may be a viable strategy that would make a limited benefit plan more attractive to a wider range of people. The target market are sole proprietors, part-time employees, those not in the work force, and younger adults.

[One issue is whether the Health Care Task Force wishes to support a limited benefit plan without specifying the limits and therefore knowing the degree of underinsurance.]

Hawaii Essential Insurance Plan

A proposal for further study is what we have termed the "Hawaii Essential Insurance Plan". This plan will use the State's 13 federally qualified community health centers and 12 Hawaii Health System Corporation's hospitals as the primary delivery mechanism. Other physicians could participate at their own election. Additional providers could be contracted with to meet mandated benefit requirements. The benefit package will be designed around the services that can be effectively provided by this delivery system, but will be a limited benefit plan to reduce premiums. The benefit package can be adjusted to arrive at a premium level that would be attractive to lower income persons. The plan

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[2] Friedenzohn, I., "Limited-Benefit Policies: Public and Private-Sector Experiences," State Coverage Initiatives Vol. V, No. 1 (July 2004).

[3] Fuhrmans, V., "More Employers Try Limited Health Plans," The Wall Street Journal (January 17, 2006).

would be available to Hawaii residents not covered by employer insurance, private non-group insurance, or a government insurance program. The target market would be persons not eligible for QUEST who are able to pay the premium.

By switching the uninsured from emergency room care into primary care, this system will produce overall cost savings. Some additional funding of the community health centers and community hospitals will be needed to increase capacity to handle the plan membership. The State could establish a special agency to act as the insurer that could issue a request for proposal for the administrative work that a health plan or third party administrator could respond to. If the State does not establish a special agency, then the State could create a program and issue a request for proposal to a health plan, much in the way that the Department of Human Services bids the QUEST work out to private insurers.

[One issue is why the community health centers and hospitals are a preferable delivery system to a network that a third party administrator or health insurer would use.

Another issue is to what extent this concept could be handled with an expansion of QUEST?]

Expanding the guaranteed issue requirement.

There are about 12,000 sole proprietors without health insurance. One way to address this problem is to amend the existing law on guaranteed issue of group health policies. Hawaii Revised Statutes section 431:2-201.5 conforms State law to HIPAA by requiring that group health insurers offer small group health plans to small employers. A small employer is defined as an employer who employs between one and no more than fifty employees. Some interpret these laws to include sole proprietors in the definition of small employer; others do not. If this section were amended to explicitly cover sole proprietors, it would bring sole proprietors within the guaranteed issue requirements of the law and reduce the uninsured population. This is the approach taken by the Administration bills SB 2300 and HB 2337. Currently, some health insurers provide group policies to sole proprietors, while others provide them only to sole proprietors who have incorporated. Granting the same benefits to sole proprietors who have not incorporated is simply a question of parity.

Some health insurers raise concerns about adverse selection and inclusion of a higher risk population in the small business pool. However, the degree to which this will be a problem has not been quantified and the plans have means of mitigating the impact.