HEALTH CARE, HEALTH INSURANCE
ON THE THRESHOLD OF...
Health Insurance Rate Regulation

• HRS article 431:14G requires review of managed care plan rate filings
• Commissioner must ensure that rates are not excessive, inadequate, or unfairly discriminatory and are reasonable in relation to the costs of the benefits provided
• September 1, 2011, the Affordable Care Act allowed HHS to have limited oversight over State rate review regulation
• Hawaii is among the 46 states and the District of Columbia with federally recognized effective rate review programs for the individual and small group markets
RATE REVIEW IS NOT THE SOLUTION

Rate review will NOT solve the rising healthcare premium increase problem

Bending the Health Care cost curve is the SOLUTION!
HEALTH CARE REFORM

Why it is needed...
ESCALATING COSTS...  

Hawaii Experience

- Prepaid Healthcare law passed in 1974
- Goals: reduce uninsured population, cover major medical to avoid financial hardship, cover preventative care, control healthcare cost increases

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Income in Hawaii</th>
<th>Medical &amp; Drug Premiums</th>
<th>Percent of Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>$7,418</td>
<td>$17.50 per month ($210 per year)</td>
<td>2.8%</td>
</tr>
<tr>
<td>1995</td>
<td>$25,715</td>
<td>$158.36 per month ($1,900 per year)</td>
<td>7.3%</td>
</tr>
<tr>
<td>2005</td>
<td>$35,669</td>
<td>$303.10 per month ($3,637 per year)</td>
<td>10.2%</td>
</tr>
<tr>
<td>2015</td>
<td>$48,288</td>
<td>$593.44 per month ($7,121 per year)</td>
<td>14.7%</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>$651.18 per month ($7,814.16 per year)</td>
<td>-</td>
</tr>
</tbody>
</table>
• Average medical & drug premiums have risen steadily due to increases in the cost of care, medical and drug utilization.

• In 1974, medical & drug premiums totaled $17.50. As of 2015 the cost of medical & drug premiums have increased to $593.44.
Growth of health insurance premiums far outpaces workers' earnings and overall inflation

Growth rate index of family health insurance premiums, workers’ earnings, and overall inflation, 1999-2009

* Workers' earnings as measured by average hourly earnings for private sector production workers.
** Overall inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

HAWAII AVERAGE PREMIUM COSTS

Source: Insurance Information Institute
## Hawaii Health Premiums Costs Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual</th>
<th>Subtotal Group Comprehensive</th>
<th>Government Business</th>
<th>Other Health Business</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>_</td>
<td>$1,212,145,529</td>
<td>_</td>
<td>$49,973,336</td>
<td>$1,262,118,865</td>
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<tr>
<td>2005</td>
<td>$43,858,511</td>
<td>$1,824,098,545</td>
<td>$835,717,800</td>
<td>$55,268,655</td>
<td>$2,758,943,511</td>
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<tr>
<td>2010</td>
<td>$82,089,690</td>
<td>$1,840,873,925</td>
<td>$2,090,320,888</td>
<td>$71,046,281</td>
<td>$4,084,330,784</td>
</tr>
<tr>
<td>2015</td>
<td>$152,999,917</td>
<td>$2,697,319,284</td>
<td>$3,404,523,769</td>
<td>$89,106,887</td>
<td>$6,343,949,857</td>
</tr>
</tbody>
</table>

Source: Hawaii DCCA Insurance Division and Department of Budget and Finance – EUTF
<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Employees Health Benefit Plan</th>
<th>Medicare</th>
<th>Medicaid</th>
<th>EUTF</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
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<tr>
<td>2005</td>
<td>$233,792,052</td>
<td>$234,988,249</td>
<td>$366,937,499</td>
<td>$591,058,711</td>
<td>$1,426,776,511</td>
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<tr>
<td>2010</td>
<td>$311,461,098</td>
<td>$573,195,558</td>
<td>$1,205,664,232</td>
<td>$673,314,201</td>
<td>$2,763,635,089</td>
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<tr>
<td>2015</td>
<td>$399,764,461</td>
<td>$1,164,517,112</td>
<td>$1,840,242,196</td>
<td>$945,202,267</td>
<td>$4,349,726,036</td>
</tr>
</tbody>
</table>

Source: Hawaii DCCA Insurance Division and Department of Budget and Finance — EUTF, includes counties
### Small Group Health Premiums in 2016
#### Projection for 2026

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical 2016</th>
<th>Drug 2016</th>
<th>Total 2016</th>
<th>Annual Percentage Increase</th>
<th>Projected Increase at 8.0%</th>
<th>Projected Increase at 7.0%</th>
<th>Projected Increase at 6.5%</th>
<th>Projected Family Increase at 6.5%</th>
<th>Projected Increase at 4.0%</th>
<th>Projected Increase at 3.5%</th>
<th>Projected Family Increase at 3.5%</th>
<th>Projected Increase at 3.0%</th>
<th>Projected Increase at 2.5%</th>
<th>Projected Increase at 1.0%</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
<td>$379.44</td>
<td>$71.26</td>
<td>$450.70</td>
<td>7.6</td>
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<tr>
<td>2017</td>
<td>$395.38</td>
<td>0.1</td>
<td>$467.44</td>
<td></td>
<td></td>
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<tr>
<td>2018</td>
<td>$408.47</td>
<td>$76.76</td>
<td>$485.23</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>2019</td>
<td>$416.82</td>
<td>(1.8%)</td>
<td>$464.67</td>
<td>6.7</td>
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</tr>
<tr>
<td>2020</td>
<td>$477.65</td>
<td>$76.96</td>
<td>$554.62</td>
<td>8.5</td>
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<tr>
<td>2021</td>
<td>$492.46</td>
<td>$106.98</td>
<td>$599.44</td>
<td>7.0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2022</td>
<td>$511.52</td>
<td>$107.44</td>
<td>$628.96</td>
<td>6.0</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>$7,547.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Annual 2016**

- **Projected Small Group Health Premium Increase 2016 - 2026**
  - Medical
  - Drug
  - % Drug Increase
  - Total
  - Annual Percentage Increase
  - Projected Increase at 8.0%
  - Projected Increase at 7.0%
  - Projected Increase at 6.5%
  - Projected Family Increase at 6.5%
  - Projected Increase at 4.0%
  - Projected Increase at 3.5%
  - Projected Family Increase at 3.5%
  - Projected Increase at 3.0%
  - Projected Increase at 2.5%
  - Projected Increase at 1.0%

**Ten Year Projection**

- **2017**
- **2018**
- **2019**
- **2020**
- **2021**
- **2022**
- **2023**
- **2024**
- **2025**
- **2026**

**ANNUAL PREMIUM IN 2026**

- **$16,294.51**
- **$14,847.11**
- **$14,167.73**
- **$42,503.20**
- **$11,172.17**
- **$10,646.52**
- **$3,913.57**
- **$10,143.24**
- **$9,661.46**
- **$8,337.16**
<table>
<thead>
<tr>
<th>Category</th>
<th>Premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>$ 741,275,560</td>
</tr>
<tr>
<td>Annuities</td>
<td>$ 1,299,841,897</td>
</tr>
<tr>
<td>Fire, Casualty, Misc.</td>
<td>$ 2,324,784,879</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,365,902,336</strong></td>
</tr>
<tr>
<td>Mutual Benefit Societies (MBS)</td>
<td><strong>$ 3,671,823,068</strong></td>
</tr>
<tr>
<td>HMO</td>
<td><strong>$ 1,706,971,343</strong></td>
</tr>
<tr>
<td>Dental</td>
<td><strong>$ 217,949,196</strong></td>
</tr>
<tr>
<td>Foreign Health Companies</td>
<td><strong>$ 1,710,245,074</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 7,306,988,681</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>$ 11,672,891,017</strong></td>
</tr>
</tbody>
</table>

HEALTHCARE COST DRIVERS

• Physician, facility and pharmaceutical cost
• Expensive technologies and procedures
• Fragmented and uncoordinated care
• Lack of cost consideration from patients
• Fee-for-service
• High administrative cost expenses
• Unhealthy behavior and lifestyle choices
• Expensive end-of-life care
• Provider consolidation
• Aging population

List from Becker’s Hospital Review and NAHU

Source: http://www.slideshare.net/PayerFusion/10-drivers-of-healthcare-cost
1 in 5 Americans will die from an Obesity Related Disease
Q: WHAT IS THE CURRENT STATE OF OBESITY IN AMERICA?

WHO IS OBESE?

MALES:

Mild Overweight: 27.5%
Severe Overweight: 23.4%

FEMALES:

Mild Overweight: 46.7%
Severe Overweight: 18.7%

SEVERITY OF OBESITY

BMI OVER 35

10% Males
6.5% Females

BMI OVER 40

3% Males
1.5% Females

BMI OVER 45

1.3% Males
0.4% Females

CHILDHOOD OBESITY

Between 1988 and 2000, childhood obesity has nearly doubled. From 2000 to 2008 the percentage of children with obesity has remained level, but has started to decrease.

8 out of 10 children who are overweight age 10-17 will be overweight as adults.

Effects of obesity

• 39% of people with hypertension are obese
• 46% of people with type 2 diabetes are obese
• Obese children are 7 times more likely to become obese adults
• The cost of obesity is estimated to cost basketball teams $2.8 million dollars annually, and that is just the cost of playing basketball

UNHEALTHY BEHAVIOR & LIFESTYLES

UNHEALTHY BEHAVIOR & LIFESTYLES

Source: American Heart Association
AGING POPULATION...

Annual Per Capita Healthcare Costs by Age

AGING POPULATION...

Number of People Age 65 or Older, by Age Group

Millions of People

Actual  Projected

95 or Older
85 to 94
75 to 84
65 to 74


CONGRESSIONAL BUDGET OFFICE

JULY 2014
HIGHER EXPENDITURES IN THE UNITED STATES

Note: $US PPP = purchasing power parity.
Higher expenditures do not equate to longer life span.
HEALTHCARE COST DRIVERS

• Physician, facility and pharmaceutical cost
• Expensive technologies and procedures
• Fragmented and uncoordinated care
• Lack of cost consideration from patients
• Fee-for-service
• High administrative cost expenses
• Unhealthy behavior and lifestyle choices
• Expensive end-of-life care
• Provider consolidation
• Aging population

List from Becker’s Hospital Review and NAHU

Source: http://www.slideshare.net/PayerFusion/10-drivers-of-healthcare-cost
IMPACT OF TOBACCO USE IN HAWAII

143,000 Hawaii adults currently smoke cigarettes

1,200 people die each year due to cigarette smoking

Smoking costs the Hawaii $526 million annually in medical costs

Lost productivity costs $320 million and Medicaid costs $117 million a year

Comprehensive tobacco prevention efforts using the social ecological approach includes policies such as

• Cigarette stamp tax
• Increasing the age of legal purchase of tobacco products to age 21 years
• Clean air laws that protect non-smokers from exposure to tobacco smoke
• Community based programs
• 1-800 QUIT NOW phone, web, and text-based counseling to help people quit smoking regardless of their insurance status
ADULT AND YOUTH SMOKING PREVALENCE - HAWAII

Deaths due to heart disease decreased 34%,
and stroke decreased 44%, 

Lung cancer deaths decreased 10% 

Data source: Hawaii Health Data Warehouse, http://hhdw.org
MORE PATIENTS ARE GETTING SICK

Prevalence of Overweight and Obesity in Hawaii

- % Adults who are overweight or obese
- % Adults who are obese

CHRONIC DISEASE PREVALENCE IS INCREASING

Hypertension, Diabetes and Pre-Diabetes in Hawaii

More than 1 in 2 Adults have Type 2 Diabetes or Pre-diabetes


*Predicted, American Diabetes Association
CHRONIC DISEASE PREVALENCE IS INCREASING

1 in 3

Hawaii adults report having 1 or more of the following conditions:

- CHD
- Heart Attack
- Stroke
- High Blood Pressure
BOTH DX AND UNDX CONDITIONS CONTRIBUTE TO “COMPLEXITY”

Patients consuming the majority of healthcare resources

Diabetes
8.5% diagnosed, 4.2% undiagnosed
12.7%

Pre-Diabetes
14.4% diagnosed, 27.1% undiagnosed
41.5%

“Healthy”
45.8%

The cost of chronic conditions is rising

**Cost of Diabetes in Hawaii**

<table>
<thead>
<tr>
<th>Condition</th>
<th>Direct Costs</th>
<th>Indirect Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diabetes – Dx</td>
<td>$769M</td>
<td></td>
</tr>
<tr>
<td>Diabetes – Undx</td>
<td>$122M</td>
<td></td>
</tr>
<tr>
<td>Pre-Diabetes</td>
<td>$212M</td>
<td></td>
</tr>
<tr>
<td>Gestational Diabetes</td>
<td>$11M</td>
<td></td>
</tr>
<tr>
<td>Total Direct Costs</td>
<td>$1,114M</td>
<td></td>
</tr>
</tbody>
</table>

$1 in every $5 health care dollars spent is on diabetes
Half of Hawaii adults have type 2 diabetes or prediabetes.

**ARE YOU ONE OF THEM?**

Take the Diabetes Risk Test at PreventDiabetesHawaii.com

Share the results with your health care provider today.

Type 2 diabetes can be prevented

**TAKE THE DIABETES RISK TEST**

at PreventDiabetesHawaii.com and talk to your health care provider about how you and your family can prevent diabetes.
Did You Take The Test?

RETHINK YOUR DRINK

56% of youth aged 12-18 years report drinking sugar-sweetened beverages (SSBs), including sugar-sweetened soda, juice drinks (excluding 100% fruit juice), sweetened tea or coffee, and/or sports or energy drinks) one or more times per day.

By race-ethnicity, we see the greatest SSB consumption among Other Pacific Islander youth.

http://www.healthyhawaii.com/rethink-your-drink/
WHAT DOES THE FUTURE HOLD?

ACA
- Cost Sharing Reduction (CSR) eliminated
- Individual mandate — non-enforced
- Repeal or amendments to ACA?
- Transitional plans extended?
  - Age rating for individuals and small groups if not extended
- Small group market
  - Shrinks due to ACA impacts - 10 EHBs, age rating, morbidity of pool

Health Care Reform
- Coordinated care
- Electronic medical records
- Delivery of care
  - Telehealth
  - Nurses, physician assistants

Payment reform
- Move away from fee for service
- Prescription drug bulk purchasing

Prepaid Health Care Act
- 2026 - $14,000 per person, $42,500 for family of 4,
  If no changes are made to the cost curve

Source: https://www.youtube.com/watch?v=ynoOdYF9984
Visit us at cca.hawaii.gov/ins  |  THANK YOU!