# HEALTH CARE, HEALTH INSURANCE ON THE THRESHOLD OF...

State of Reform

January 11, 2023

DCCA Hawaii Insurance Division



## PREPAID HEALTH CARE ACT (PHCA)

- Established in 1974
- Employer mandate
- First in the nation to set minimum standards of health care coverage for workers
- Passed the same year as the federal Employee Retirement Income Security Act (ERISA), which superseded all state laws on employee benefits
- Hawaii obtained an ERISA exemption, essentially freezing the PHCA passed in 1974

## PREPAID HEALTH CARE ACT

- Hawaii's uninsured
- Early 1970's, estimated between 25 to 30%
- Uninsured Population: 2021 3.9%, below the national average of 8.6%
- Rich benefits package
- Among the lowest premium costs in the nation
- Healthiest population



## PREPAID HEALTH CARE ACT (PHCA)

- Employers must provide health care coverage to employees who work at least twenty (20) hours per week.
- Employers must pay at least 50% of the premium cost, but the employees' share cannot exceed the lesser of 50% of the premium cost or 1.5% of the employees' monthly gross earnings.
  - HRS 12-12-41 Withholding by employers
    - Example of the 1.5% of monthly gross earning = \$5,000/month (\$60,000/year) x 1.5% = \$75 employee contribution/month or \$900 per year.

## PREPAID HEALTH CARE ACT (PHCA)

- Required benefits prevalent Plan A and B (if offered)
  - HRS 393-7 Required health care benefits
  - Plan A is equal to or better than the benefits offered by the plan with the largest number of subscribers (also known as the prevalent plan)
  - Plan B provides sound basic hospital, surgical, medical, and other health benefits; however, plan's benefits, such as the deductible, out of pocket limit, lifetime maximum benefit, benefit level and copayments, may be more limited than the benefits provided by Plan A. The employer is required to pay one-half (50%) of the cost for family coverage.

## NUMBER OF COVERED LIVES

	Number of Covered Lives				
Individual	34,786				
Small Group	112,058				
Large Group	646,010				
TOTAL	792,854				

Source: Hawaii DCCA Insurance Division health Rate Filings - 2022

## PRICING OF HEALTH INSURANCE PLANS...

#### 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

## WHAT IS INSURANCE?

431:1-201 – Insurance defined. Insurance is a contract whereby one undertakes to indemnify another or pay a specific amount upon determinable contingencies.

#### Insurance Fundamentals -

Consumer/Insured

Consumer/Insured



**Premiums** 



**Insurance Company** 

**Insurance Company** 

#### Insurance Pool – spread the risk



Frequency / Severity Impacts Rate and Solvency

Frequency – how often

Severity – how bad

## 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...

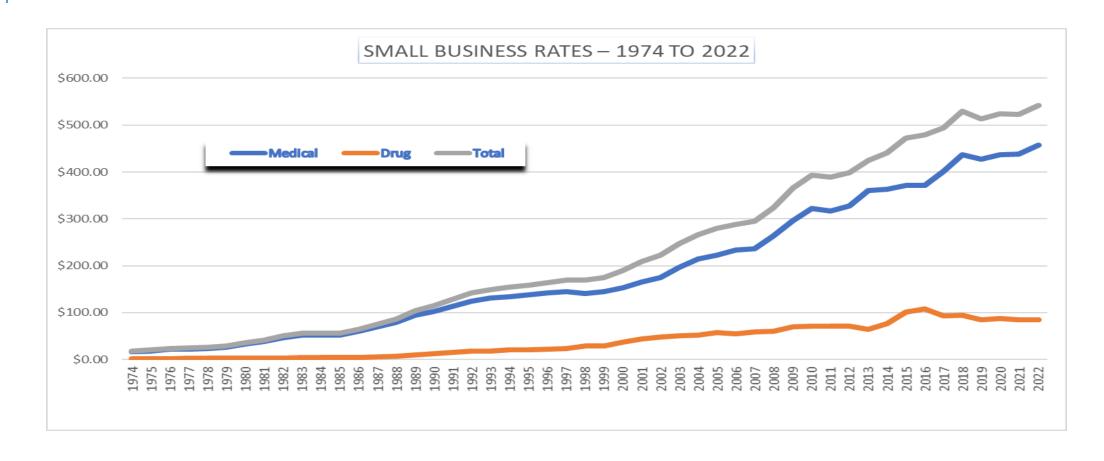
## ESCALATING COSTS...

#### 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

Year	Average Income in Hawaii	Medical & Drug Premiums	Percent of Wages
1974	\$ <b>7,</b> 412	<b>\$17.50</b> per month (\$210 per year)	2.8%
1988	\$18,964	<b>\$85.90</b> per month (\$1,030.80 per year)	5.4%
1998	\$26,911	<b>\$169.78</b> per month (\$2,037.36 per year)	7.6%
2008	\$42,160	<b>\$324.20</b> per month (\$3,890.40 per year)	9.2%
2018	\$5 <b>4,</b> 565	<b>\$530.20</b> per month (\$6,362.40 per year)	11.7%
2022	\$60,389*	<b>\$542.41</b> per month (\$6,508.92 per year)	10.7%

## SMALL BUSINESS RATES — 1974 TO 2022



Figures are adjusted.

## SMALL BUSINESS RATES — 1974 TO 2022

 Average medical & drug premiums have risen steadily due to increases cost of care, medical and drug utilization

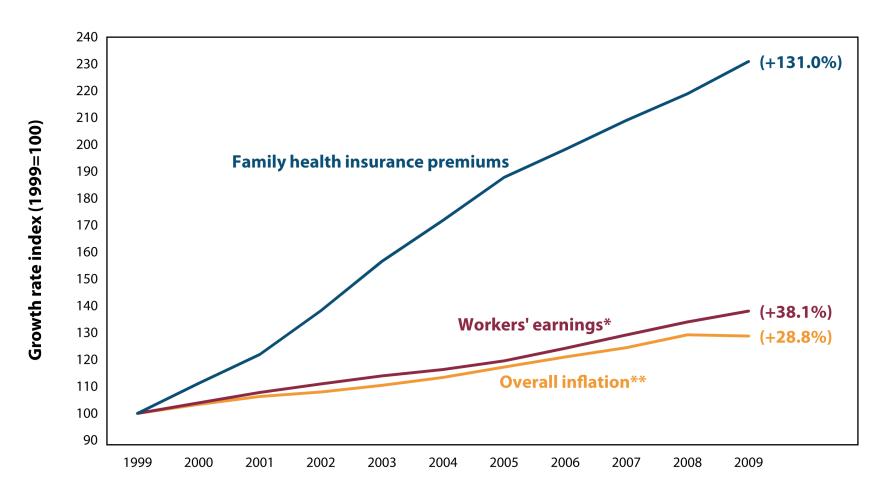
• In 1974, medical & drug premiums totaled \$17.50

As of 2022, medical & drug premiums have increased to \$542.41

## 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

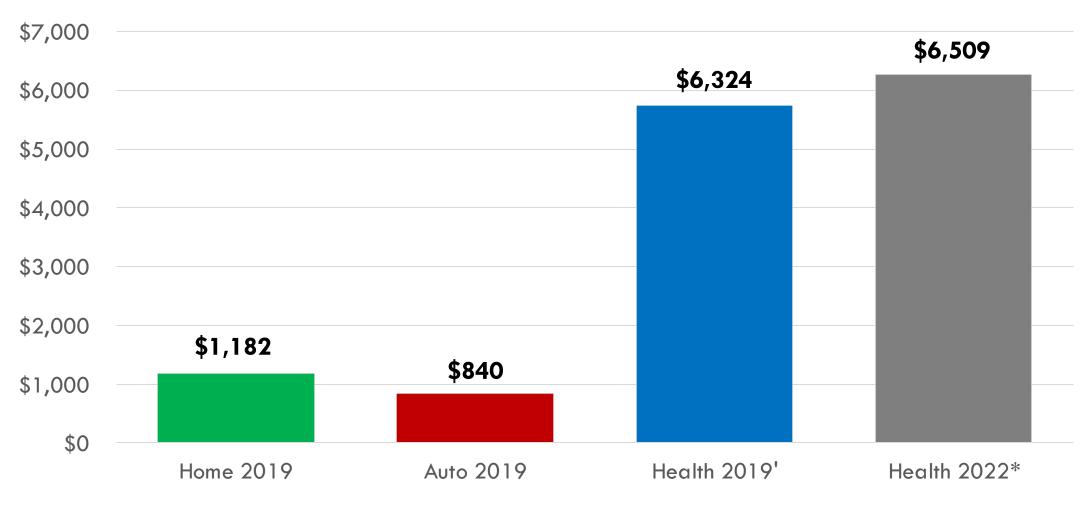


<sup>\*</sup> Workers' earnings as measured by average hourly earnings for private sector production workers.

**Source:** EPI analysis of Kaiser Family Foundation and Bureau of Labor Statistics data.

<sup>\*\*</sup> Overall inflation as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

## HAWAII AVERAGE PREMIUM COSTS



Source: Insurance Information Institute

'Estimate \*Figures are adjusted

## HAWAII HEALTH PREMIUMS COSTS OVER TIME

Year	Individual	Subtotal Group Comprehensive	Government Business	Other Health Business	TOTAL
2005	\$43,858,511	\$1,824,098,545	\$835,717,800	\$55,268,655	\$2,758,943,511
2010	\$82,089,690	\$1,840,873,925	\$2,090,320,888	\$71,046,281	\$4,084,330,784
2015	\$152,999,91 <i>7</i>	\$2,697,319,284	\$3,404,523,769	\$89,106,887	\$6,343,949,857
2018	\$222,318,345	\$3,207,346,468	\$4,071,644,722	\$120,829,652	\$7,622,139,187
2021	\$237,949,894	\$3,650,760,139	\$4,311,658,192	\$132,526,126	\$8,332,894,351

# HAWAII HEALTH PREMIUMS COSTS OVER TIME GOVERNMENT BUSINESS BREAKDOWN

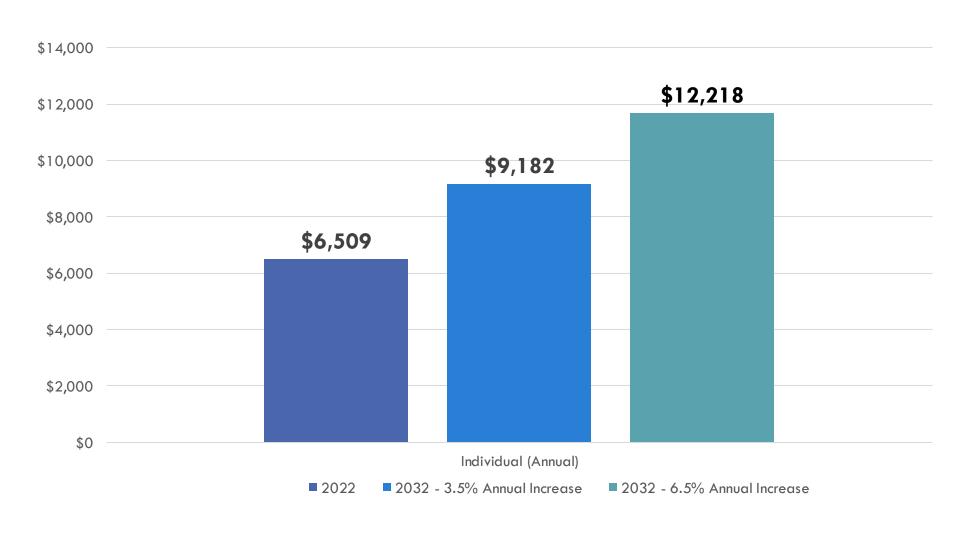
Year	Federal Employees Health Benefit Plan	Medicare	Medicaid	EUTF*	TOTAL
2005	\$233,792,052	\$234,988,249	\$366,937,499	\$591,058,711	\$1,426,776,511
2010	\$311,461,098	\$573,195,558	\$1,205,664,232	\$673,314,201	\$2,763,635,089
2015	\$399,764,461	\$1,164,517,112	\$1,840,242,196	\$945,202,267	\$4,349,726,036
2018	\$451,510,850	\$1,496,850,512	\$2,123,283,360	\$1,076,773,807	\$5,148,418,530
2021	\$475,536,340	\$1,726,078,082	\$2,585,580,110	\$1,395,565,449	\$6,182,759,981

# SMALL GROUP HEALTH PREMIUMS ANNUAL PERCENTAGE INCREASE

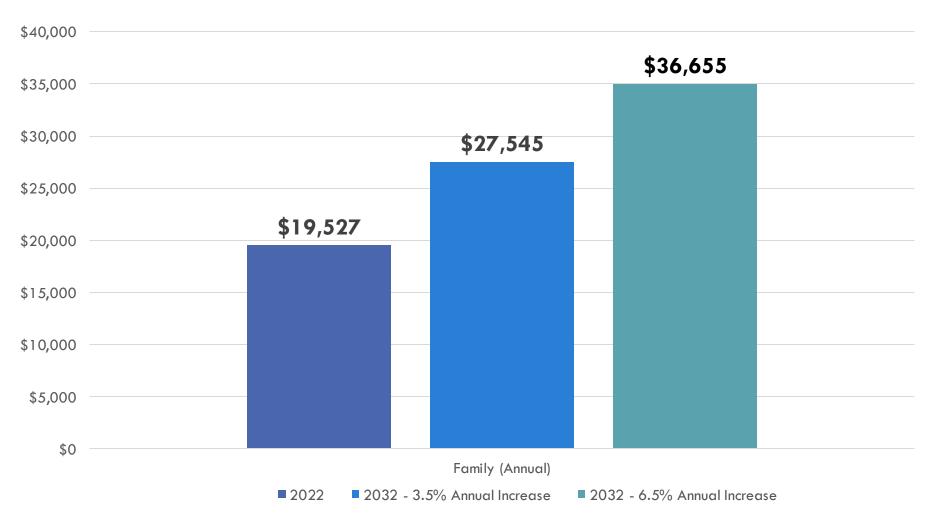
Year	Medical	Drug	Average Annual Drug Increase from 2010	Total	Average Annual Increase from 2010
2010	\$321.74	\$71.26		\$393.00	
2011	\$31 <i>7</i> .26	\$71.76	0.7%	\$389.02	-1.0%
2012	\$328.14	\$70.76	-0.4%	\$398.90	0.7%
2013	\$360.42	\$64.46	-3.3%	\$424.88	2.6%
2014	\$363.66	\$76.96	1.9%	\$440.62	2.9%
2015	\$371.94	\$100.98	7.2%	\$472.92	3.8%
2016	\$371.70	\$107.44	7.1%	\$479.14	3.4%
2017	\$401.24	\$93.16	3.9%	\$494.40	3.3%
2018	\$439.56	\$90.64	3.1%	\$530.20	3.8%
2020	\$437.24	\$87.39	2.1%	\$524.62	2.9%
2022	\$457.14	\$85.27	1.5%	\$542.41	2.7%

<sup>\*</sup>Figures are adjusted.

# SMALL GROUP HEALTH PREMIUMS IN 2022 PROJECTION FOR 2032 — 3.5% AND 6.5% INCREASE



# SMALL GROUP — FAMILY HEALTH PREMIUMS IN 2022 PROJECTION FOR 2032 — 3.5% & 6.5% INCREASE



## INSURANCE PREMIUMS IN HAWAII - 2021

Life		\$	918,093,454
Annuities		\$	1,608,367,961
Fire, Casualty, Misc.		<u>\$</u>	3,088,194,468
	Total	\$	5,614,655,883
Mutual Benefit Societies (MBS)		\$	<i>4,</i> 41 <i>7,</i> 805,301
HMO		\$	2,282,879,478
Dental		\$	201,002,580
Foreign Health Companies		\$	1,750,172,508
	Total	\$	8,651,859,867
	GRAND TOTAL	<u>\$</u>	14,266,515,750

## 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



Source: http://www.slideshare.net/PayerFusion/10-drivers-of-healthcare-cost

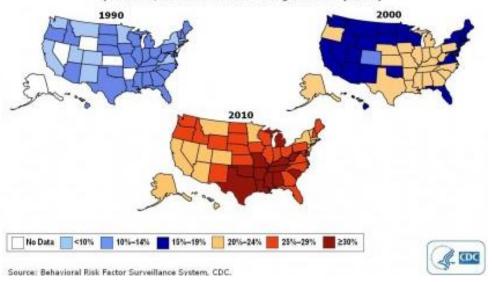
## UNHEALTHY BEHAVIOR & LIFESTYLES

1 in 5
Americans
will die from an
Obesity Related Disease

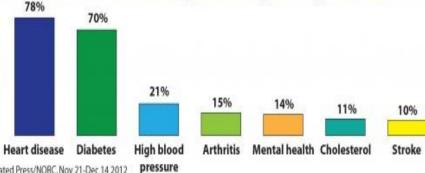
#### Obesity Trends\* Among U.S. Adults

BRFSS, 1990, 2000, 2010

(\*BMI ≥30, or about 30 lbs. overweight for 5'4" person)



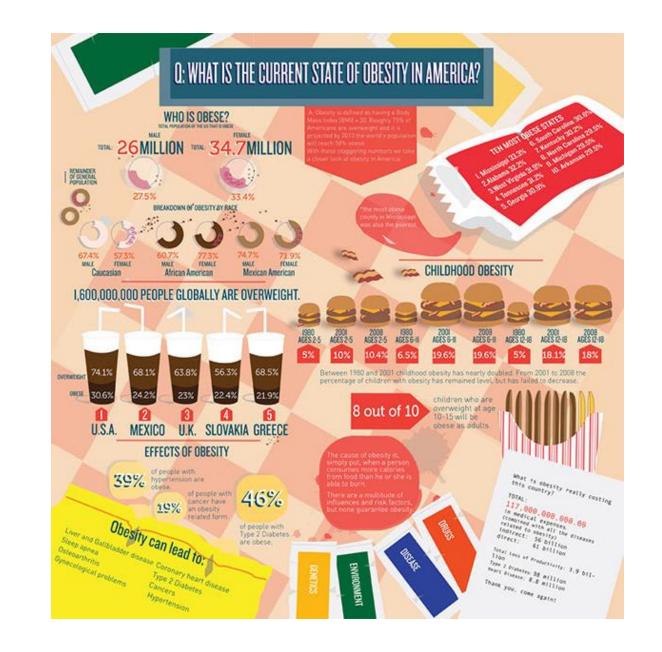
#### Most serious health impacts of being overweight and obese



Source: Associated Press/NORC, Nov 21-Dec 14 2012 Note: Respondents could give multiple responses

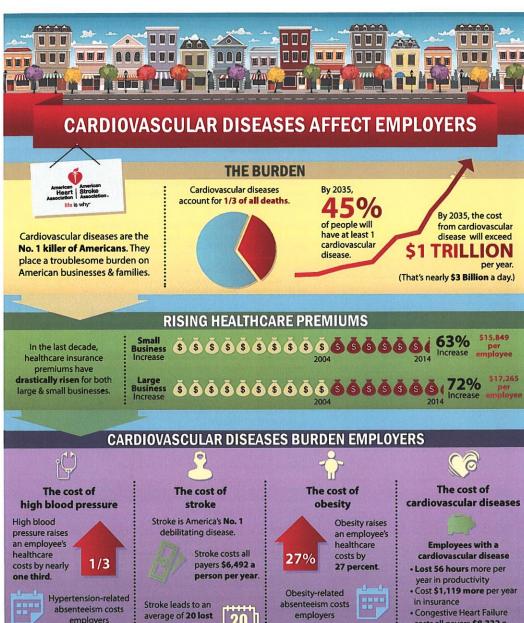
# UNHEALTHY BEHAVIOR & LIFESTYLES

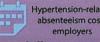
Source: http://thedinfographics.com/2011/11/16/obesity-in-america-facts-statistics-and-lies/



## UNHEALTHY BEHAVIOR & LIFESTYLES

Source: American Heart Association





\$10.3 billion per year.

workdays per year per patient.

\$11.2 billion per year.



The cost of physical inactivity



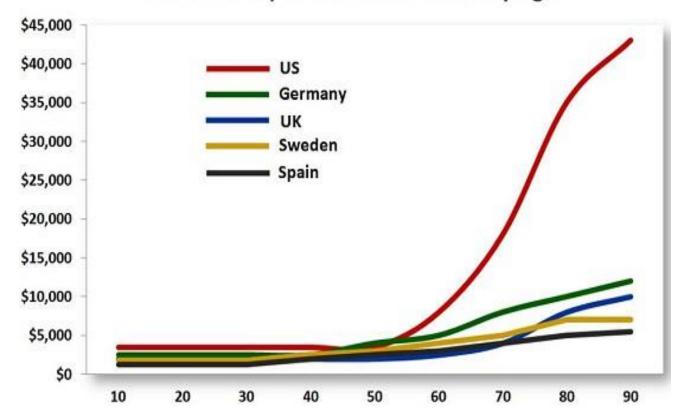
Physical inactivity costs U.S. employers \$9.1 billion per year. costs all payers \$8,332 a person per year.



Heart disease leads to an average of 13 lost workdays per year per patient.

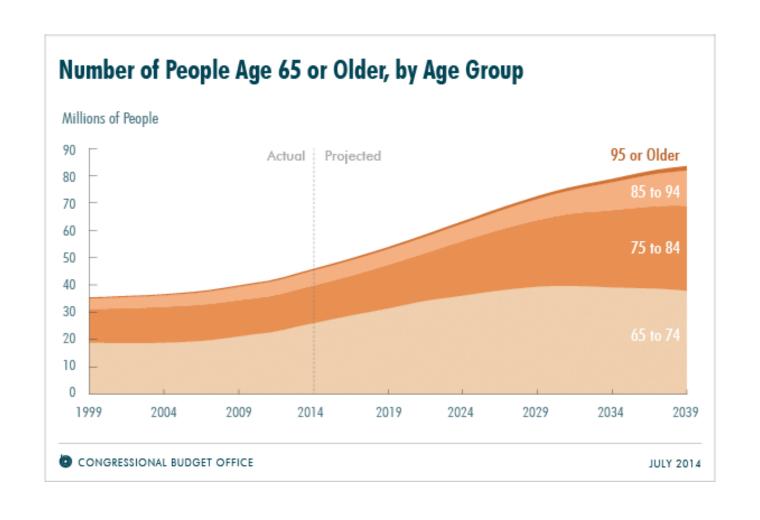
## AGING POPULATION...

#### Annual Per Capita Healthcare Costs by Age

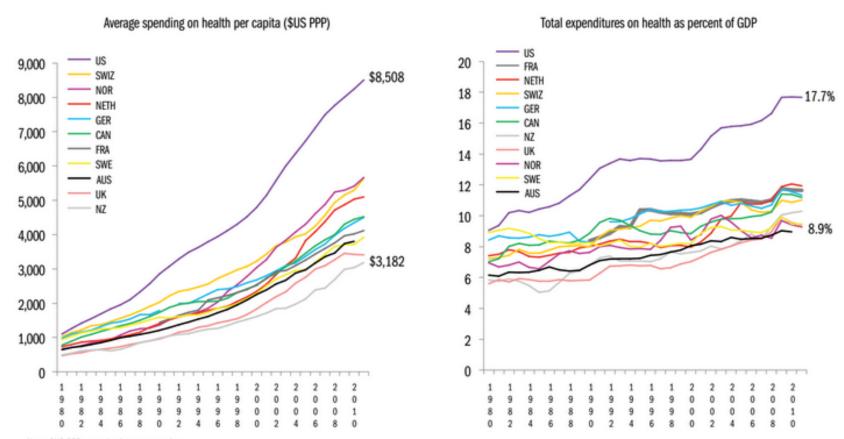


Source: http://www.zerohedge.com/news/2015-05-28/how-healthcare-dooming-us-economy-just-3-charts

## AGING POPULATION...



# HIGHER EXPENDITURES IN THE UNITED STATES



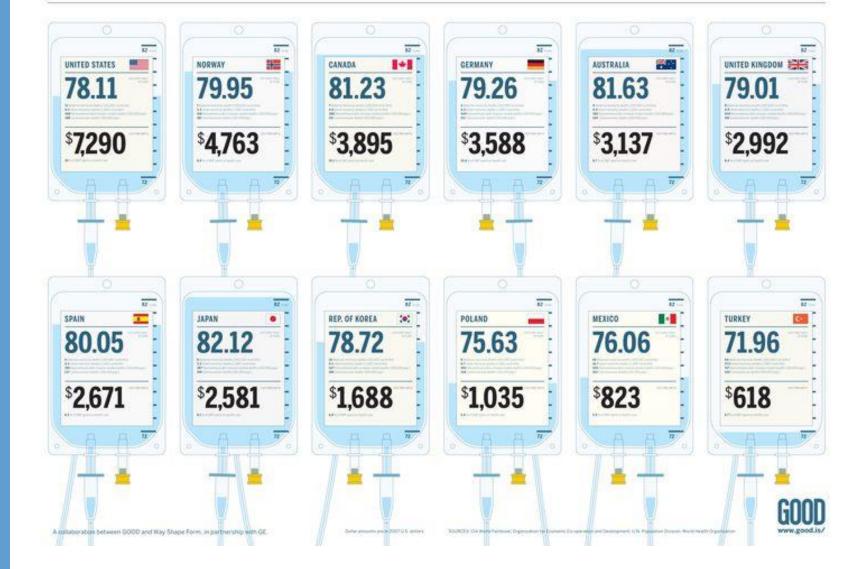
Note: \$US PPP = purchasing power parity.

Source: Organization for Economic Cooperation and Development, OECD Health Data, 2013 (Paris: OECD, Nov. 2013).

# HIGHER EXPENDITURES DO NOT EQUATE TO A LONGER LIFE SPAN

## **WORLD HEALTH**

Every country in the world approaches health care differently, but the end goal is the same. Keep citizens as healthy as possible at the lowest cost. Some countries spend a lot on feath care, but don't see great benefits for those expenditures simple their citizens. Others, at least by the metrics below, are finding ways to reach both goals. This is a lock at 12 countries around the world that examines how fair the misinity they spend on health care goes toward affecting the health of their ofizins.



## IMPACT OF TOBACCO USE IN HAWAII

143,000 Hawaii adults currently smoke cigarettes

1,200 people die each year due to cigarette smoking

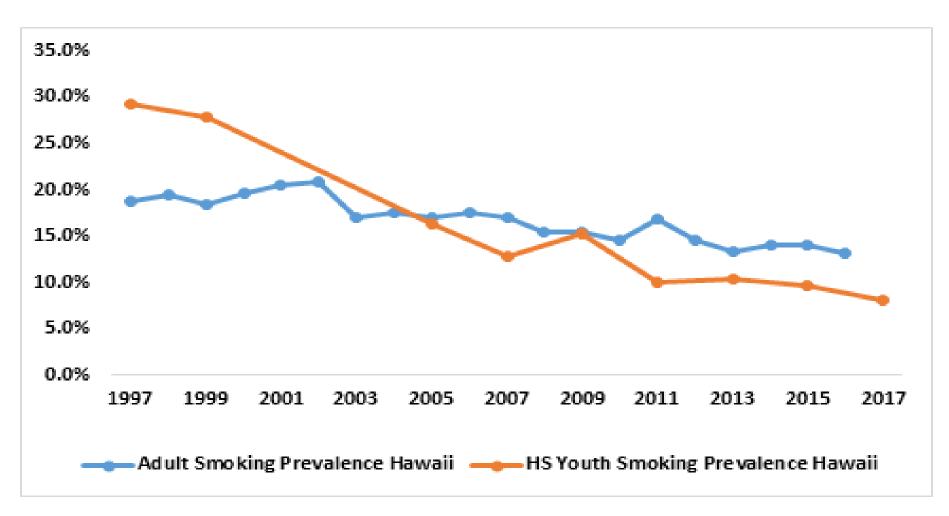
Smoking costs the Hawaii \$526 million annually in medical costs

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



Sources: Hawaii Behavioral Risk Factor Surveillance System 1997 - 2016; Hawaii Youth Risk Behavior Survey 1997 - 2015

## HAWAII TOBACCO PREVENTION SAVES LIVES

Deaths due to heart disease decreased 34%,

and stroke decreased 44%, (2000-2002 to 2012-2014, Vital Statistics)

Lung cancer deaths decreased 10% (2000-2002 to 2012-2014, Vital Statistics)

Data source: Hawaii Health Data Warehouse, http://hhdw.org



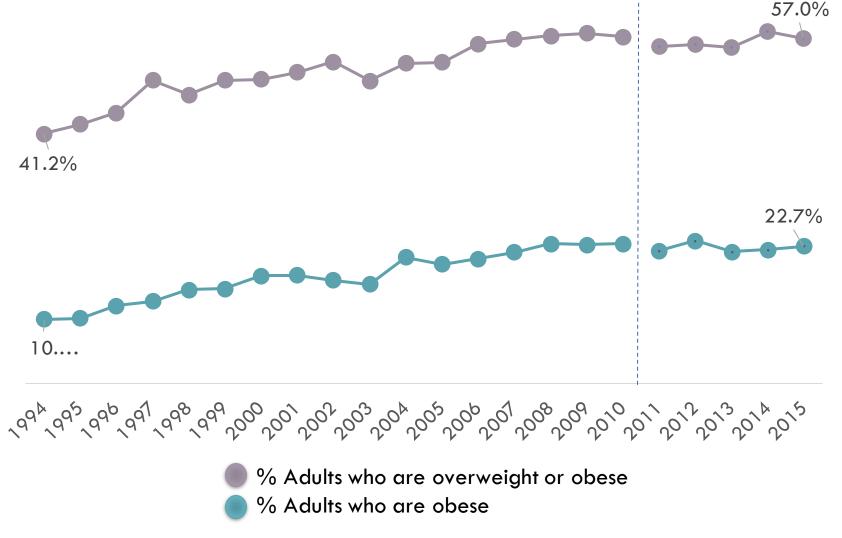


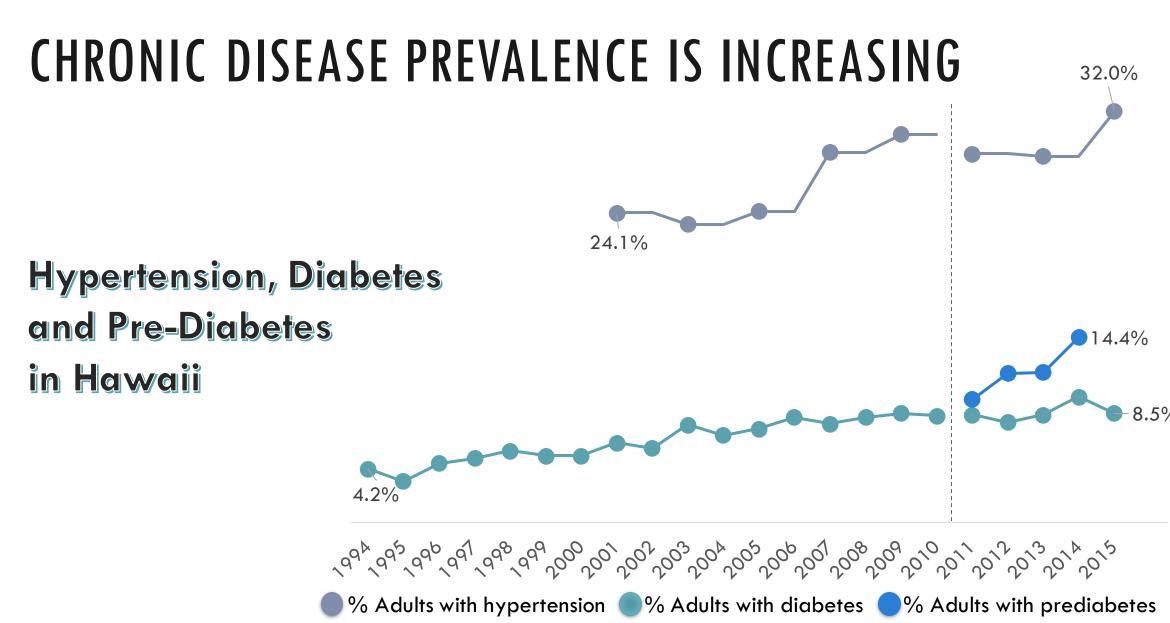




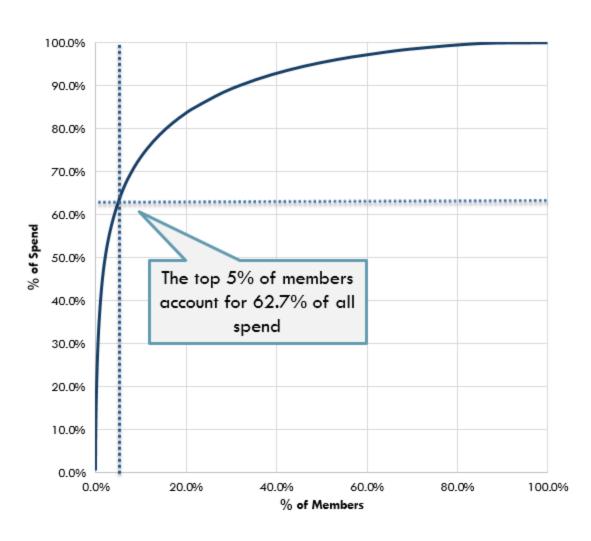
## MORE PATIENTS ARE GETTING SICK

Prevalence of Overweight and Obesity in Hawaii





## MEMBER COST DISTRIBUTION

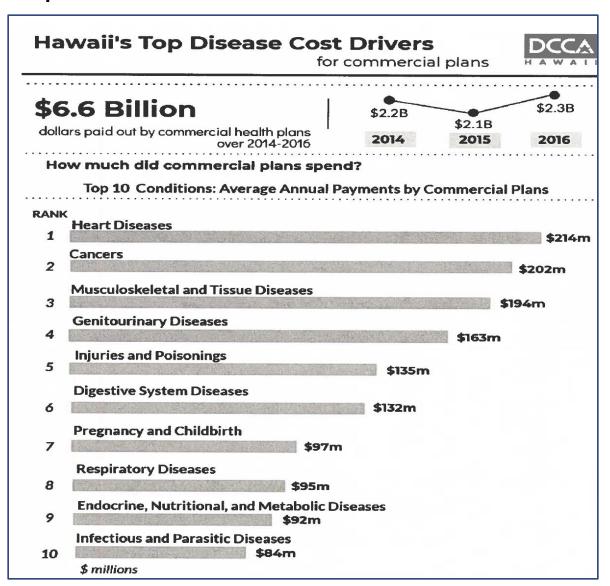


A large portion of health insurance costs are driven by a small portion of the population

- In the 2017 plan year, 669 members represented the top 1% of utilizers and 37.7% of all cost
- The top 5% of members account for 62.7% of all spend
- The top 20% of members utilize 84% of all spend

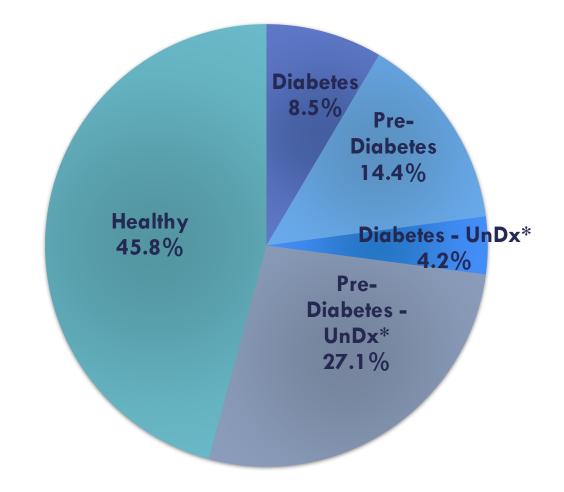
### TOP DIAGNOSES

The top 5 diagnoses represent 47.8% of total costs



## DIABETES & PRE-DIABETES PREVALENCE

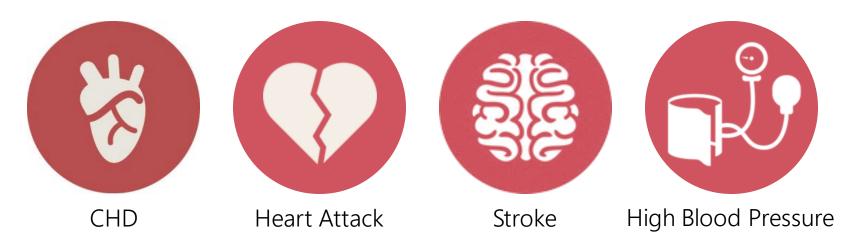
More than
1 in 2 Adults have
Type 2 Diabetes or
Pre-diabetes



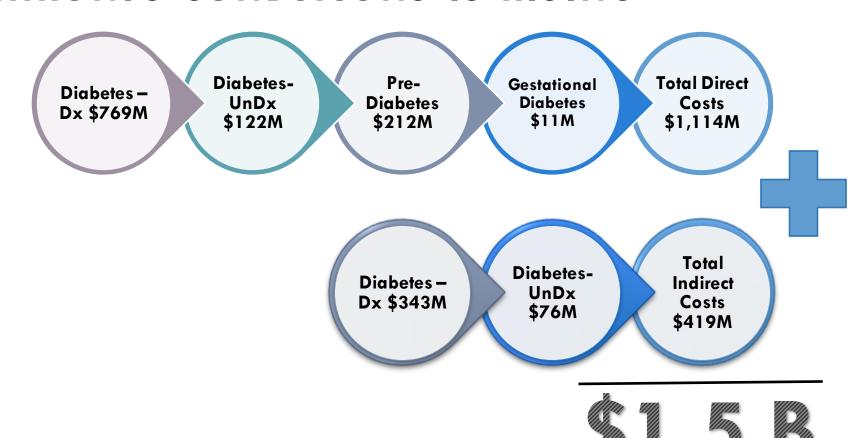
## CHRONIC DISEASE PREVALENCE IS INCREASING

## 1 in 3

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



## THE COST OF CHRONIC CONDITIONS IS RISING

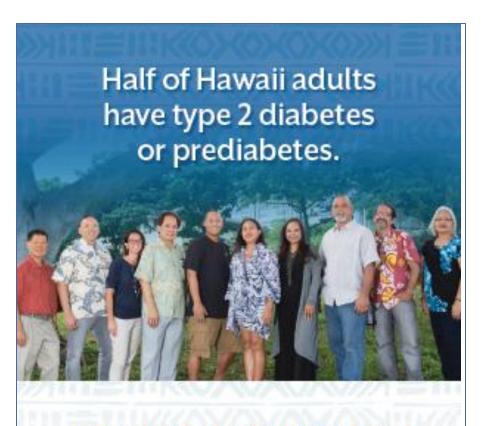


**\$1** in every **\$5** health care dollars spent is on diabetes

Cost of

Hawaii

Diabeles in



#### ARE YOU ONE OF THEM?

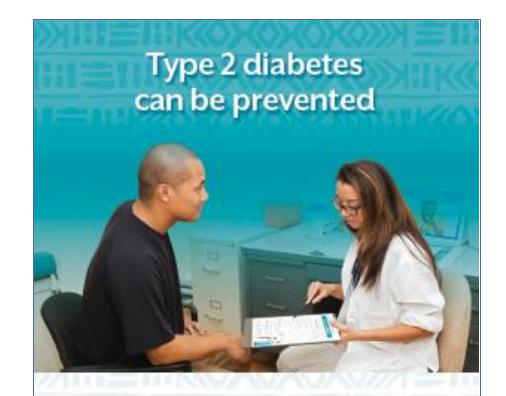
Take the
Diabetes Risk Test
at PreventDiabetesHawaii.com

Share the results with your health care provider today.









#### 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?



PreventDiabetesHawaii.com

PREVENT Diabetes

## 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/rethinkyour-drink/





### **COVID-19 PANDEMIC**



Source:WIS/KOLD.com

Impact on Prepaid and Health Insurance Rates?

#### **COVID-19 PANDEMIC**

#### Impact on ACA rates in 2021

- Negligible
  - Rate -3.4% to .1%
- Factors impacting rate requests
  - Deferred services
  - Low number of COVID cases compared to other states
  - Federal subsidies (CARES Act, etc.)
- 2021 and impact on 2022 rates and beyond?
  - Pent up demand deferred services
  - COVID-19 long-term health impact
  - Morbidity better or worst?



Source:WIS/KOLD.com

## WHAT DOES THE FUTURE HOLD?

#### ACA

- ACA modifications
- Transitional plans (grandmothered plans) not extended
  - Age rating for individuals and small groups if not extended
- Small group market
  - Shrinks due to COVID-19, ACA impacts 10 EHBs, age rating, morbidity of pool,

#### **Health Care Reform**

- Coordinated care through the healthcare system
- Delivery of care: telehealth expansion, license scope of service modification
- Electronic medical records access continues to improve

#### **Payment reform**

- Expanded movement away from fee for service
- Prescription drug reforms

#### **Improved Population Health**

- Healthier eating, reduced SSB consumption
- Eliminate food deserts, address social determinates of health

#### **Prepaid Health Care Act**

2032 - \$12,218 per person, \$36,655 for family of 4,
 If no changes are made to the health cost curve



