

Prepaid Health Care Advisory Council Meeting

State of Hawaii
Department of Labor and Industrial Relations
P.O. Box 3769
Honolulu, HI 96812-3769

Via Microsoft Teams

March 18, 2021
1:30 p.m. to 2:22 p.m.

Council members present

Mr. Paul Marx, Chair
Ms. Laudra Eber
Dr. John McDonnell
Ms. Bonnie Pang
Mr. Mike Hogan
Ms. Carol Shimomura
Mr. Derek Kanehira

DC Staff Present

Royden Koito
Lois Iyomasa
Misty Sumida
Stacey Hiranaka
Kimi Kaneda
Marisa Yagi

Others Present

Chad Hertzog, Kaiser
Messay Sanderson, Kaiser
Mitchell Lau, Kaiser
Alyson Estrella, UHA
Paul Ajoste, UHA
Robert Terry, UHA
Corianne Komori, UHA
Garet Azama, HMSA
Austin Bunag, HMSA
Brandon Kumabe, HMSA
Verna Bays, HMSA
Tammy Vitolo, HWMG
Paul Kaiser, HWMG
May Goya, Kaiser
JoAnn Vidinhar, Director's Office (DLIR)
Adam Rosenberg, Attorney General's Office

With a quorum present, Chair Marx called the meeting to order at 1:30 p.m.

Chair Marx deviated from the agenda for Mr. Hogan's announcement. Mr. Hogan spoke of the passing of Martha Smith, friend, colleague, and iconic health care leader. A moment of silence was observed.

Introduction of Derek Kanehira

Chair Marx introduced the new Council member, Mr. Kanehira who looked forward to working with the Council and meeting participants.

Meeting guidelines

Chair Marx introduced himself and began roll call of all Council members and attendees. In an unlikely event that technical difficulties occurred, a pre-scheduled meeting will occur on a future date, Thursday, March 25th at 1:30pm, should the meeting not be able to continue. The Presenter excluded, Chair Marx asked that all speakers limited themselves to a five-minute conversation with an understanding that there will be more questions for the Presenter. If the meeting lost connectivity, Chair Marx will make the determination on how to proceed with the meeting while quorum is maintained. Chair Marx requested all speakers acknowledged themselves prior to speaking to assist in record keeping and tracking, this ensured the Council responded accordingly. He reconfirmed the meeting is being recorded.

Approval of Minutes

Chair Marx asked if there were any changes to the circulated minutes of the February 27, 2020 meeting. A motion was made by Mr. Hogan to approve the minutes as circulated. The motion was seconded by Ms. Pang and carried by unanimous vote.

Review of plan

Hawaii Medical Service Association (HMSA)

HMSA was represented by Mr. Bunag

CompMED – A HRA

HMSA informed the Department of this new plan effective July 1, 2021 and requested approval of the plan under Section 393-7(a).

Mr. Bunag stated the proposed plan closely followed the existing CompMED plan, but HMSA attached a deductible along with a health reimbursement arrangement (HRA) to be funded by the employer to help cover the cost of the deductible. Mr. Bunag stated the amount of the HRA funding was up for discussion, possibly 75% to 80% of the deductible with funds rolling over

year over year. One example was \$900 HRA funding for the \$1,200 individual deductible. In this situation a member could have enough funds in the HRA to cover the deductible in two years if the member minimized use of services and used preventive services. In three years, a member's HRA would be able to cover the \$2500 individual maximum out-of-pocket expense.

Mr. Bunag stated the HRA funds would be available at the beginning of the plan year when the member gained the coverage. HRA funds would be returned to the employer when the member leaves the plan. HMSA tried to work within the confines of the Prepaid Health Care (PHC) Act and tried to stay in the spirit of the Act. HMSA recognized the deductible would be higher than what was typically approved for a 7(a)-status plan, hence the reason for the HRA to accompany the CompMED plan. The HRA funds could only be used for services that are covered under the medical plan and could not be used for services such as dental or pharmacy drugs covered under a pharmacy plan.

Mr. Bunag felt the cost of the plan was borne by employers because the employee contribution toward the individual premium could not exceed 1.5% of wages. This plan would lower the premium while maintaining rich benefits. With the HRA, HMSA could give businesses the opportunity to shift some of the premium of the employees who choose to stay in richer plans like the 90/10 or HMO plans. HMSA also wanted to make sure the member would not be negatively impacted too much by some of the changes. So, HMSA tried to balance needs of business and maintain coverage and protection afforded by the Act.

Ms. Eber noted the \$1,200 individual deductible would, in part, be covered by the HRA. She was concerned the \$2400 family deductible would not be covered by the HRA. Ms. Eber questioned whether the HRA could be used toward the family deductible. Mr. Bunag stated that the employer would contribute more for a family, but the amount was up for discussion. He explained that the family deductible was not reached as frequently as the individual deductible. HMSA had tried to get as close to neutral as possible when compared to a family with a non-HRA plan. Mr. Bunag gave an example of setting the family HRA multiplier of 1.5 to 2 times the individual HRA contribution. With an individual HRA of \$900, the family HRA could range from \$1350 to \$1800. If the family HRA were \$1800, that would cover the individual deductible.

Ms. Eber wanted to find a way to equitably raise the deductible from zero (as it stands on some plans). She felt a \$1000 HRA and net \$200 individual deductible were acceptable. Ms. Eber questioned if the HRA would rollover year after year for the duration of the employee's career with the same employer. Mr. Bunag confirmed that this was the intent for the HRA. The employee would be able to rollover 100% of the unused HRA, use the HRA only on services covered by the plan, and would not need to use the HRA by the end of the year.

Mr. Bunag stated HMSA did not want to dramatically shift costs to the plan member because HMSA did not want the members to forego medically necessary services. He felt that putting

funds in the members' hands would help the members make consumer-driven decisions. Mr. Bunag described his personal experience with his HRA plan. He had been able to accumulate the funding in HRA so it had covered his expenses when he had had high medical expenses, then he was able to accumulate the funding again later.

Ms. Pang inquired about how HMSA would ensure the HRA was properly funded by the employer. Mr. Bunag stated HMSA would use a third party HRA vendor that would be required to ensure that the employer funded the HRA.

Ms. Pang inquired about the coverage of annual exams. Mr. Bunag confirmed the plan would cover annual exams.

Ms. Shimomura was concerned with the selection of the employer for the HRA plan and the employer's ability to fund the HRA year after year, especially in difficult times like a pandemic. She also asked if the funding would be the same each year even if the employee had rolled over the full amount from the previous year. Mr. Bunag confirmed the amount would continue to accumulate until the member left the company or the entire amount was used.

Ms. Shimomura asked if HMSA or the department would ensure the employer was financially capable of funding the HRA plan year after year. Mr. Bunag stated this would be included in the underwriting process. The employer would not be paying much more for the HRA plan. The cost should be close to neutral for the employer because the reduction in premium would go into the HRA.

Chair Marx inquired about the DLIR's ability to track the information through HMSA or the employer. The staff stated that it was difficult to comment because the plan lacked information about the HRA. The staff also noted that the department reviewed employer financial solvency only when the health care plan was self-funded.

Mr. Hogan stated the only reference to the HRA was on the cover page of the guide to benefits. The plan document was incomplete and failed to include information on funding mechanisms, who would custodial the assets, what would ensure the Insurance Division and DLIR that the employer could fulfill the funding obligations. He was also concerned about the fiduciary capacity to protect the insured if an employer were no longer in business and had not funded the insurance offset. He felt one would expect to see a custodial report and a sample report of tracking employer contributions and that the Insurance Division and DLIR did not have the staffing or funding to track this. Due to these reasons, Mr. Hogan would not recommend the approval of this plan.

Ms. Pang liked the concept of the program but agreed that more detail was needed. Since the HRA was a notional account, unlike a Health Savings Account (HSA) in which one could see funds posted into an account, it was trickier to track that the HRA would be funded. While some

topics were outside the purview of the Council, the details would help the Council evaluate if the plan is within the spirit of the PHC Act. One example of detail that was necessary was if the employee waived coverage, would the HRA be funded or not?

Mr. Kanehira inquired about the details on HRA portability, who would be responsible for participant fees, and funding mechanisms and controls.

Dr. McDonnell agreed with previous statements from Council members.

Ms. Eber wanted more information about who would hold the money. She further explained her request for a written statement verifying that the HRA could be used for medical cost incurred by the family, addressing the high family deductible.

Mr. Bunag stated his gratitude for allowing HMSA to present the plan at its premature state. He would work on submitting additional information addressing the concerns brought forth by the Council.

Chair Marx asked if any written testimony had been submitted to the department. Staff stated no written testimony had been received.

Ms. Pang inquired about how the accumulated HRA funds would be returned to the employee when employment was terminated. She requested more detail on how the administration would handle this procedure. Ms. Eber required clarification about the rollover procedure regarding whether the funds rolled over to the employer or the employee upon termination. Mr. Bunag clarified that the funds would revert to the employer. This would help the employer retain employees.

A motion was made by Ms. Pang to request that HMSA incorporate the comments made by the Council and resubmit for a second review, deferring the plan.

The motion was seconded by Mr. Hogan and carried by unanimous vote.

Adjournment.

Chair Marx adjourned the meeting at 2:22 p.m. The next meeting was tentatively scheduled for April 29, 2021 with a tentatively scheduled back-up meeting for May 4, 2021.

Administratively approved plans:

The Queen's Health Systems

Raytheon Company

Hawaiian Airlines

Prudential Life Insurance Company