

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

November 23, 2009

Mr. George Kahooohanohano
Chairperson, Board of Trustees
Hawaii Employer Union Health Benefits Trust Fund
P.O. Box 2121
Honolulu, Hawaii 96805

Dear Chair Kahooohanohano and Trustees:

I appreciate the opportunity you have provided by holding this emergency meeting and allowing HMSA to speak before the Board. My name is Michael Gold and I am HMSA's Chief Operating Officer. As many of you know, HMSA has been a long-standing partner with the State, County and Employer Unions in helping to ensure that your members and their families have access to quality, affordable health care.

While we recognize the many challenges the EUTF faces, I am here today to reinforce the widespread call to **cancel** the current open enrollment in the interest of the health and well-being of EUTF participants. The reasons for our position are detailed in our November 11th letter to the Board. But they include misleading and inadequate communications, significant departure in process from previous open enrollments, widespread member confusion and concern, and the admitted inability by the EUTF Administrator to meet critical process deadlines.

As you know, those supporting this position include the HGEA, UPW and UHPA unions, the state senate president and senate health chair, the state house leadership, the house health chair, and many other state senators and representatives. They have seen, and some have more directly felt, the disturbing impact of the current open enrollment process.

The state and county employees covered under EUTF deserve a straightforward, understandable and proficient open enrollment, not one that is marred by administrative, communication and technical failures. These inadequacies are why so many parties, including HMSA, are concerned for EUTF participants.

Clarification of HMSA's 80/20 PPO Option

We understand that instead of focusing on solutions and protection of state and county employees, some would like to dwell on minutia and blame. For the record, we would like the following to be known:

When HMSA first considered offering the 80/20 PPO plan, it did so to help the Board achieve its fiduciary responsibility of controlling rising costs of its health care coverage. We also took into account the fact that during the previous open enrollment, 33,000 EUTF members selected HMSA coverage, recognizing the differences between administrators, and their programs, processes and networks, despite having the same benefits at a higher cost. Less than 300 signed up for the comparable competitor.

At that time we first considered the 80/20 option, there was no indication or information from the EUTF relative to plan default, rates or contribution levels that might have led us to understand that there were other motivations. In fact, when Mr. Williams was questioned at the August 26, 2009, meeting about plans being in the default position, despite the enormity of the impact this decision could have, he indicated that he “hadn’t really thought this through.”

Once the decisions on these matters came to light at the August 26, 2009 meeting, HMSA reacted quickly, highlighting the likely impacts of those decisions, together with suggested remedies, in a meeting with Mr. Williams on August 28, 2009 and in a letter dated September 3, 2009.

Mr. Williams responded with a recommendation to reject these ideas in a letter to the Board dated September 29, 2009. He presented four reasons for his recommendation.

The first was that HMSA’s request was untimely, despite being submitted just one week after the meeting where all the pertinent information finally came to light. His recommendation to the board came almost a month later. That valuable time could have been used to address these issues.

Mr. Williams’s second reason for recommending a rejection was that the request places the focus on the plan administrators rather than the benefit plans and premiums. It should have been readily apparent to Mr. Williams, as it was to 35,000 other EUTF participants during the previous open enrollment, that the plan administrator is important to EUTF members because the benefits are different in many ways other than the 90/10 versus 80/20 distinction.

The third explanation was that the request would result in either a) severe strains on the administrative capability of the EUTF system and staff, given available resources and time constraints, or b) reduction in choices available to participants due to dropping plans. In the first instance, Mr. Williams seems to be arguing that possible administrative strain of HMSA’s suggested remedy is of more consequence than jeopardizing the preferred health care coverage of more than 60,000 people. I think it is also evident that the administrative strain on the EUTF office, had HMSA’s request been accepted, would have been far less severe than what the office is currently experiencing.

As for the reduction in plans, Mr. Williams mistakenly presents the need to drop both the HMO and High Deductible Health Plan (HDHP) options to retain the same number of plans, when simply dropping the HDHP would have sufficed. He goes on to argue that dropping the HDHP would result in fewer choices for EUTF participants.

This meant that tens of thousands of EUTF participants were to be in turmoil at the expense of the 400 people in the HDHP.

Finally, Mr. Williams states that the apparent driving force behind this request is to enable HMSA to gain market share. HMSA believes it delivers unsurpassed value through its programs, service and provider network. HMSA believes that value was recognized during the previous open enrollment when the vast majority of EUTF participants selected HMSA. HMSA would very much like to compete for EUTF plan business on a level playing field with complete and timely disclosure of information. Unfortunately, that did not happen, and today EUTF participants are experiencing the “shock” of the effects of the recommendations made in Mr. Williams’ September 29th correspondence.

Participant Confusion

It is evident that employee confusion is rampant. Thousands of phone calls have been reported to the EUTF office, and we have handled thousands more at HMSA. Anyone who has attended an open enrollment session can see the palpable uncertainty and frustration among the attendees.

It’s bad enough that EUTF participants have to deal with an unprecedented open enrollment process while many are facing the possibility of furloughs, but the open enrollment process has been made much worse by confusing and misleading instructions, and failure to provide information packets and benefit summaries upon which they rely.

Extending the open enrollment selection period and effective date of coverage will do nothing to remedy the confusion and overcome the obstacles and confusion which abound. Delaying the effective date makes matters worse with another open enrollment period just two months away.

Conclusion

There are some out there who wish to direct the focus away from the fundamental administrative shortcomings of this open enrollment, and would rather squabble over meeting minutes and emails. But it is obvious that errant emails do not a crisis make. What does make a crisis is the following:

- Securing the health plan administrator’s commitments without full disclosure of terms and conditions
- Mass distribution of misleading information
- Inability to distribute correct and supportive information
- Allowing mass media commercials that distort important facts
- Inability to execute and meet critical timelines
- Focusing on minor distractions rather than real issues
- Failure to understand that a difference in health plan administrators is a MAJOR difference for consumers
- Failure to learn from recent history (HSTA)

- And denial of all of the above

I understand that a decision to cancel open enrollment is a difficult one. And we continue to offer our support to the EUTF to help work towards solutions to these pressing issues. As our years of partnership with the EUTF have demonstrated, we are as committed as ever to assist you in your efforts to provide State and County employees with access to affordable quality health care.

Again, thank you for the opportunity to provide our comments.

Sincerely,



Michael A. Gold
Executive Vice President and Chief Operating Officer

CC: **EUTF Trustees**

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