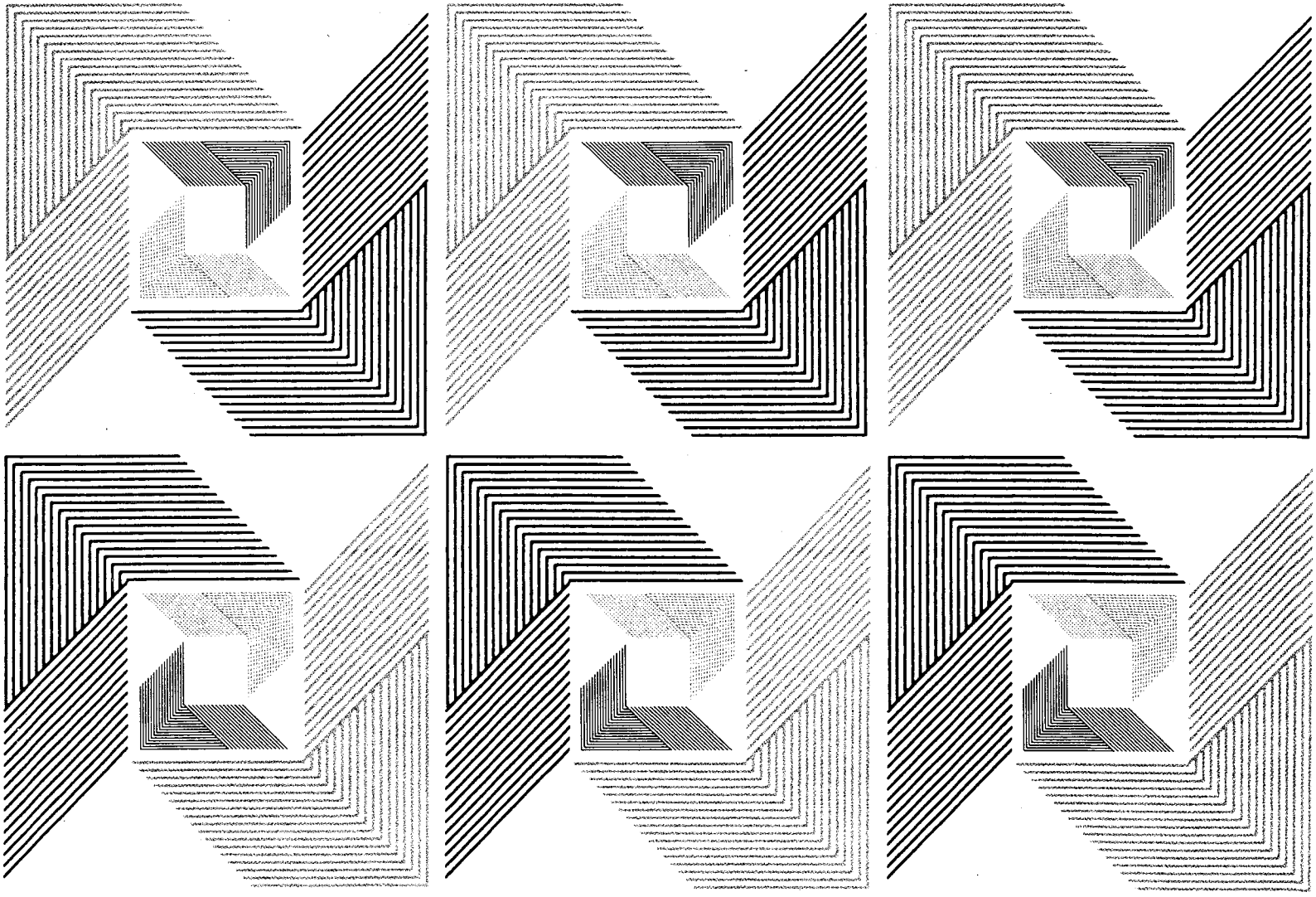
Report No. 89-25
December 1989

STUDY OF PROPOSED MANDATORY HEALTH INSURANCE FOR NATUROPATHIC CARE

A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF HAWAII



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

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5. *Health insurance analyses* are conducted on bills which propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Legislative Auditor for an assessment of the social and financial impact of the proposed measures.

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OVERVIEW

STUDY OF PROPOSED MANDATORY HEALTH INSURANCE FOR NATUROPATHIC CARE

Honolulu, Hawaii

December 1989

Summary

Since the 1960s, states have enacted a variety of laws requiring insurers to cover certain dependents, the services of different health practitioners, and specific medical conditions and treatments. Because of the increasing cost of health insurance, the Legislature became concerned with the number of proposals to mandate health insurance and with their impact on the cost and quality of healthcare. In 1987, the Legislature enacted Act 331 requiring that the auditor assess all proposals to mandate health insurance benefits.

This report examines the social and financial impact of mandating insurance coverage for naturopathic care as requested in Senate Concurrent Resolution 24, Senate Draft 1, of 1989. Naturopathic physicians testified that the proposed benefit would not result in additional health services but that it would require insurers to reimburse naturopathic physicians when medical doctors are reimbursed for the same services.

Naturopathy has been regulated in Hawaii since 1925. Naturopathic physicians are primary health care providers who specialize in natural medicine. They believe in the healing power of nature and see their role as one of removing obstacles to the healing process and supporting the patient's recuperative powers.

In diagnosing ailments, naturopathic physicians take medical histories, order laboratory tests, and do physical examinations. Treatment methods include nutritional advice; the use of homeopathic medicines, herbs, and botanical medicines; vitamin and mineral therapy; manipulation; physiotherapy; psychological counseling; and stress management.

Currently, there are 40 naturopathic physicians licensed in Hawaii--33 practice in the state and 7 are on the mainland. The number of licensed naturopaths has been increasing. More than one third of the total number of licenses have been issued since May 1988.

There is no evidence that people are kept from obtaining naturopathic treatment or suffer financial harm because of the lack of insurance coverage. Insurance coverage for naturopathic care is available from commercial carriers, although it is not provided by the Hawaii Medical Service Association or Kaiser, the two largest health insurers in Hawaii.

FINDINGS

1. *Utilization of naturopathic care is low, primarily because of the limited number of naturopathic physicians.*

2. *There is no evidence of public demand for insurance coverage of naturopathic services.*

3. *Mandating insurance coverage for naturopathic services is unlikely to have any impact on the cost of insurance premiums or the cost of health care in the short or long term.*

CONCLUSIONS

There is no evidence of a significant demand or need to require insurers to include naturopathic coverage in their plans.

There is no evidence that coverage will add to the cost of insurance or to the total cost of health care.

DEPARTMENT OF HEALTH'S VIEWS

The Department of Health does not believe that mandating insurance coverage for naturopathic physicians would be in the public interest for several reasons. Mandating insurance coverage in a piecemeal fashion is not the best way to solve jurisdictional or social problems. The training and treatment provided by naturopathic physicians is not equivalent to that of physicians, and their services cannot be equated. The number of states licensing naturopaths continues to decline, and no other state mandates insurance coverage for naturopathic care. Although the financial impact of coverage would be small, it would add to the administrative tasks of insurance carriers. Finally, the department believes that including naturopaths in the definition of physician in the Prepaid Health Care Act would be unjustified and also mislead the public.

STUDY OF PROPOSED MANDATORY HEALTH INSURANCE FOR NATUROPATHIC CARE

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A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

Legislative Auditor of the State of Hawaii
Honolulu, Hawaii

Report No. 89-25
December 1989

FOREWORD

In 1987, the Legislature enacted Act 331 which requires the Legislative Auditor to assess the social and financial impact of measures proposing to mandate health insurance benefits. The purpose of the assessment is to provide the Legislature with a rational and objective basis for evaluating proposals that require health insurance coverage for particular health services.

This report assesses the social and financial impact of mandating insurance coverage for naturopathic care as requested in Senate Concurrent Resolution 24, Senate Draft 1 of 1989. We were assisted in the preparation of this report by the firm of Wyatt Company which assessed the financial impact of the proposed measure.

We wish to express our appreciation for the cooperation and assistance extended to us by the staff of the various state agencies, private insurers, and other interested organizations we contacted in the course of doing the assessment.

Newton Sue
Acting Legislative Auditor
State of Hawaii

December 1989

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Chapter 1

INTRODUCTION AND BACKGROUND

Sections 23-51 and 23-52, *Hawaii Revised Statutes*, state that the Legislature shall ask the auditor to assess the social and financial impact of any measure that would mandate health insurance benefits. The law stems from legislative concern about the increasing number of these proposals in recent years and their impact on the cost and quality of health care. The purpose of the assessment is to provide the Legislature with an independent analysis of the social and financial consequences of each proposal.

Scope of the Study

This report assesses the social and financial impact of mandating insurance coverage for naturopathic care as requested in Senate Concurrent Resolution 24, Senate Draft 1, of 1989. It is important to note that the study examines the impact of proposed *insurance coverage* for naturopathic care and not the impact of naturopathic care itself. The law requires the following areas to be considered:

Social Impact

1. The extent to which naturopathic care is used by a significant portion of the population.

2. The extent to which insurance coverage for naturopathic care is already available.

3. The extent to which the lack of coverage for naturopathic care prevents people from obtaining the necessary treatment.

4. The extent to which lack of coverage results in unreasonable financial hardship.

5. The level of public demand for naturopathic treatment.

6. The level of public demand for insurance coverage for naturopathic care.

7. The level of interest of collective bargaining organizations in this coverage.

8. The impact of indirect costs other than premium and administrative costs on the question of the costs and benefits of coverage.

Financial Impact

1. The extent to which insurance coverage might increase or decrease the cost of naturopathic treatment.

2. The extent to which the proposed coverage might increase the use of naturopathic treatment.

3. The extent to which naturopathic treatment might be an alternative to more expensive treatment.

4. The extent to which insurance coverage might increase or decrease insurance premiums of subscribers and administrative expenses of insurers.

5. The impact of coverage for naturopathic treatment on the total cost of health care.

Methodology

In assessing the proposed coverage, we reviewed the research literature for information on the benefits of naturopathic care and the utilization, costs, and impact of the proposed insurance coverage. Information from insurers, providers, and researchers was analyzed. We also interviewed unions, advocacy groups, and other interested parties to assess public interest and demand.

The Wyatt Company was contracted to develop actuarial and financial information for this study. Wyatt contacted insurance companies that offer indemnity plans for information about utilization, coverage, and costs.

Organization of the Report

This report consists of three chapters. Chapter 1 is this introduction. Chapter 2 presents background information on health insurance and naturopathic care. Chapter 3 assesses the impact of requiring insurance coverage for naturopathic care.

Chapter 2

BACKGROUND ON HEALTH INSURANCE AND NATUROPATHY

The increasing cost of health care has led consumers, providers, insurers, and government to grapple with the question of who pays. National health care expenditures in 1986 were over $458 billion.[1] Americans can no longer afford to pay for all their health care costs. Insurance plays a central role in financing and providing access to health care. Third party payments from private insurance, government, and charity paid for 71 percent of personal health care expenditures in 1986.[2]

The cost of health insurance has risen sharply. In recent years, premiums have increased by about 20 percent annually. Health benefits have become the third largest cost item for most manufacturers.

Table 2.1 shows typical group rates for health insurance in the public and private sectors in Hawaii. The rates in the private sector are negotiable and merit rated so they vary considerably among group purchasers. The private sector pays about a third more than the public sector for comparable coverage, averaging more than $300 per month for family coverage.

To hold down costs, employers have increased employee payments through deductibles (the amount patients must pay before benefits begin) and copayments (the portion of the expense of a covered service for which patients are responsible). Employers offer "cafeteria" plans that allow employees to choose among various benefit packages including vacation, deferred compensation, or financial incentive programs if they spend less on health care.

Table 2.1. Monthly Costs of Group Health Insurance Per Employee: Examples from Public and Private Sectors, 1989

	Self Only	Family
State[1]		
Kaiser	$ 70.00	$ 212.00
HMSA	71.00	219.00
Community Health Plan	82.00	253.00
Island Care	76.00	234.00
Private[2]		
Kaiser	$ 100.00	$ 280.00
HMSA	118.00	333.00
Best Care	104.00	287.00
Aetna	112.00	348.00

1. State rates were effective July 1989 for employees with contracts and include both employer and employee contributions. They do not include additional rates for dental, drug, and vision coverage effective as of January 1990.

2. Private plan rates include drug, vision, and dental coverage. Aetna rates are based on a $250 deductible policy for a family of four.

Sources: *Health Fund Benefit Plans for State and County Employees and Retirees*, July 1989 and January 1990, and interviews with employer groups.

Many employers are adopting self-insurance plans where they assume all or most of the risk of claims for a policy year. Under such plans, employee claims are paid directly from an employer's bank account or a trust established for that purpose. Self-insurance plans are exempt from state regulation under the federal Employee Retirement Income Security Act (ERISA). They have an added advantage in that they are exempt from state laws mandating health insurance benefits. The number of these plans has more than doubled in the past five years.

Mandated Health Insurance

Since the 1960s, states have enacted a variety of laws mandating coverage that insurers must provide. These laws have required insurers to cover the services of certain health practitioners, dependents of a certain age or category, and specific medical conditions and treatments. In Hawaii, the Legislature has passed laws mandating benefits for the services of dentists performing oral surgery, the services of psychologists, for *in vitrio* fertilization, treatment of mental illness and substance abuse, and for preventive care of children.

In 1985, Metropolitan Life Insurance Company sued the Commonwealth of Massachusetts for its mandated mental health coverage. The company charged that the benefits law violated ERISA, which has a provision preempting state laws relating to employee benefit plans. In a unanimous decision, the federal court held that state mandated benefit laws fall within the authority of states to regulate insurance and are not preempted by the federal statute.

One effect of this decision was to move the question of mandated benefits into the political arena. One writer points out:

> Legislatures will be faced with the difficult issue of trying to determine not only what conditions should be covered, but what type of providers should be reimbursed for providing certain services. Legislatures will have to cut through a thicket of special interest groups, all representing good causes, in order to make what are essentially health planning decisions.[3]

Mandated health insurance may be appropriate in certain circumstances, such as when insurers refuse to cover certain services or when they discriminate. However, they may not be the best solution for certain social problems. They may merely shift the cost of treatment or care from one group to another. In some states, concerns about costs versus actual benefits have slowed the momentum of legislated benefits.

Arguments for and against mandated health insurance. Opponents and proponents disagree on just about all aspects of the issue of mandated coverage--whether a particular coverage is necessary, whether it is justified by demand, whether it will increase the costs of care and by how much, and whether it will increase premiums.

Generally, providers and recipients of medical care support mandated health insurance, and businesses and insurers oppose it. Proponents base their arguments primarily on medical and social premises, while opponents base theirs on economics and costs.

Proponents cite the gaps in coverage that prevent people from obtaining the care they need. They say that the current system is not equitable because it does not cover all providers, all medical conditions, or all needed treatments and services. Mandated coverage is thus necessary to give people the care they require. Further, it could increase competition and the number and variety of treatments available. In some instances, it could reduce costs by making preventive care, early treatment, or alternate care more available.

Opponents argue that mandated benefits add to the cost of employment and production and reduce other more vital benefits. Small businesses are especially vulnerable because they pay more for health insurance and are less able to absorb rising premium costs. Opponents also argue that mandates reduce the freedom of employers, employees, and unions to choose the coverage they want. Insurers cite premium rates that may rise beyond what employers and consumers are willing to pay. They see mandates as creating an incentive for employers to adopt self-insurance plans that are exempt from these mandates.

The controversy has led a number of states to review existing benefits and to evaluate additional coverage. For example, the piecemeal nature of add-on benefits led Maryland to establish a Governor's Commission on Health Care Policy and Financing. Its task is to evaluate the state's mandated benefits and to recommend a coherent policy and statutory structure for these laws.[4]

Types of insurance plans affected. Laws to mandate insurance affect three main types of private insurance: (1) Blue Cross and Blue Shield plans; (2) commercial insurance plans; and (3) the independent plans provided by health maintenance organizations (HMOs).

The oldest and largest of the private health insurers are the Blue Cross and Blue Shield organizations. They offer the traditional fee-for-service plans, sometimes called indemnity plans, that reimburse physicians and hospitals for services. The Hawaii Medical Service Association (HMSA) is the Blue Shield insurer for Hawaii. With a 1988 membership of 557,600, HMSA covers more than 54 percent of Hawaii's civilian population.[5]

Commercial indemnity plans of private insurance companies such as Aetna, Travelers, and Prudential reimburse for medical services as do the Blue Cross plans. In Hawaii, commercial carriers share about 10 percent of the health insurance market.

Independent plans are the fastest growing segment of the health insurance market. HMOs offer a package of preventive and treatment services for a fixed periodic fee. The Kaiser Foundation Health Plan, Inc., is the second largest independent plan in the state, serving 163,000 members in 1988. It is followed by Island Care and smaller plans such as Pacific Healthcare. HMSA also offers HMO plans.

Self-insured plans, the federally supported Medicare and Medicaid programs that insure the elderly and disadvantaged, and the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) that covers military dependents and retirees are not directly affected by mandated health insurance.

Prepaid Health Care Act

The courts have ruled that mandated health insurance laws fall within the authority of states to regulate insurance. Hawaii may present a unique situation, however, because of its 1974 Prepaid Health Care Act.

The act is intended to give Hawaii's working population a minimum level of health insurance protection. It requires employers to provide a qualified prepaid health care plan to regular employees working at least 20 hours per week. A qualified plan is one with benefits that are equal to, or a medically reasonable substitute for, the benefits provided by the plan with the largest number of subscribers in the State. The director of the Department of Labor and Industrial Relations, in consultation with a Prepaid Health Care Advisory Council, decides whether plans meet the standards of the act.

Some attempts made to broaden the medical benefits specified in the 1974 law were challenged in the courts. The federal courts ruled that the Hawaii Prepaid Health Care Act is preempted by ERISA, which governs all employee benefit plans. A subsequent congressional amendment exempted the Prepaid Health Care Act from ERISA, but the exemption applied only to the

law as it was enacted in 1974. In effect, this froze the law at its original provisions since ERISA would preempt any subsequent amendments.

Although mandated insurance laws have been found to fall within the authority of states to regulate insurance, it is possible that in Hawaii any mandated benefit laws added to the State's insurance law will be viewed, and challenged, as a means of bypassing the limitations placed on the Prepaid Health Care Act.

Background on Naturopathy

Naturopathic physicians are primary health care providers who make independent diagnostic decisions on patient treatment. They are general practitioners who specialize in natural medicine. Most are in private practice as sole practitioners.

Naturopathy evolved in the late nineteenth century from the work of Dr. Benjamin Lust, a German physician who came to the United States in 1892 to spread the practice of hydrotherapy, or the use of water cures to treat illness. The practice grew to include all natural methods of healing, including the use of botanical medicines, homeopathy, nutritional therapy, and manipulative therapies. The term "naturopathy" was coined for this evolving system of natural therapies.

Naturopathic physicians treat a variety of illnesses using many therapies. The most common ailments they treat are upper respiratory infections, nutritional disorders, fatigue, allergy, musculoskeletal problems, headaches, middle ear infections, arthritis, urinary infections, and other chronic conditions.

Their practice is guided by a common philosophy. They believe in the healing power of nature--that the body has the ability to heal itself and to ward off disease. The role of the naturopathic physician is to remove obstacles to the healing process and to support the patient's recuperative powers. They use natural and noninvasive therapies that respect the ability of the body to heal itself.

Naturopathic physicians treat the individual as a whole. They believe that health results from the harmonious functioning of all parts of a person. Therapy is directed at the whole person and at the underlying causes of illness, such as the patient's lifestyle, diet, habits, and emotional state. Naturopathic physicians see their role as helping patients to make choices that will prevent illness and encouraging them to become responsible for their own health.

Naturopathic physicians use standard methods to diagnose ailments. They take medical histories, order laboratory tests, and do physical examinations. Treatment methods include nutritional advice, homeopathic medicines (minute quantities of a remedy that would produce the same symptoms in a healthy person if taken in large dosages), herbs and botanical medicines, vitamin and mineral therapy, manipulation, physiotherapy, psychological counseling, and stress management. Naturopathic physicians may do minor surgery and X rays; however, these practices are specifically prohibited under Hawaii law.

The major professional association for naturopathic physicians is the American Association of Naturopathic Physicians. The association reports a resurgence in naturopathic medicine because of growing disenchantment with the use of drugs and surgery and the increasing scientific support for the importance of nutrition, preventive care, lifestyle, and the use of natural therapeutics.

There are an estimated 800 licensed naturopathic physicians practicing in the United States today. Most of them practice in the Pacific Northwest.[6] The following five states license naturopaths: Arizona, Connecticut, Hawaii, Oregon, and Washington. Utah, Florida, and Alaska do not issue licenses but allow licensed naturopaths to practice.

Education and training. The two recognized naturopathic colleges are the John Bastyr College of Naturopathic Medicine in Seattle and the National College of Naturopathic Medicine in Portland, Oregon.

John Bastyr College has been accredited by the Council on Naturopathic Medical Education, an accrediting body given initial recognition by the U. S. Department of Education as a nationally approved accrediting agency. The college's total enrollment for 1988-89 was 166, including 17 undergraduate students. It graduates between 30 to 40 students a year in the naturopathic medical program. The college also awards degrees in nutrition and oriental medicine.

The National College of Naturopathic Medicine was granted candidate status for accreditation by the Council on Naturopathic Medical Education. Founded in 1956, it is the oldest naturopathic college in the United States and graduates about 45 students a year.

Generally, it takes a minimum of seven years to earn a Doctor of Naturopathy (N.D.) degree. Students typically enter the four-year naturopathic college program after three years of standard premedical undergraduate education. The first two years of study in a naturopathic college cover basic medical sciences. The curriculum emphasizes nutrition and botanical medicines. In the third and fourth years, students receive more clinical training in diagnosis and naturopathic therapies.

Naturopathy in Hawaii. Naturopathy has been regulated in Hawaii since 1925. Graduates of schools of naturopathy who met specified standards and passed written examinations were given licenses to practice. Chapter 455, *Hawaii Revised Statutes*, now regulates naturopaths under a Board of Examiners in Naturopathy in the Department of Commerce and Consumer Affairs. Two of the three board members are licensed naturopathic physicians and one is a public member.

The board has the power to issue, renew, suspend, and revoke licenses; examine applicants; adopt rules, and do all things necessary to carry out the law.

Section 455-1, HRS, defines naturopathy as:

> The practice of natural medicine, natural therapeutics, and natural procedures, for the purpose of removing toxic conditions from the body and improving the quality, quantity, harmony, balance, and flow of the vital fluids, vital tissues, and vital energy . . . using a system of practice that bases its treatment of physiological functions and abnormal conditions on natural laws governing the human body . . . . The practice of naturopathy excludes surgery, application of x-rays, and the prescribing or dispensing of prescription drugs.

Anyone wishing to practice as a naturopathic physician must be a graduate of an accredited school or college of naturopathy, pass a written examination with a score of 75, and be licensed by the board. Licensees may not call themselves "physicians" without making it clear that they are "naturopathic physicians."

The board issued no licenses between 1985 and April 1988. A 1985 sunset evaluation report by the legislative auditor pointed to problems in the licensing program, including the lack of standards for licensure. The report recommended that no new licensing of naturopaths be permitted.

Since then, several amendments have been made to change the scope of practice and the requirements for licensure. The board adopted new rules in April 1988 that enabled it to begin licensing again.

As of June 1989, there were 40 licensed naturopathic physicians--14 practice on Oahu, 19 are on the neighbor islands, and 7 are on the

mainland. The number of licensed naturopaths has been increasing. More than one-third of the total number of licenses, or 14, have been issued since May 1988.

Proposed Mandate

Legislative requests relating to mandated health insurance usually ask the auditor to assess the impact of a bill describing the proposed coverage. No bill was introduced that could provide specifics on the proposed naturopathic coverage. There is only the concurrent resolution requesting the auditor to "conduct an assessment of the social and financial effects of mandated insurance coverage for naturopathic care."

The Hawaii Association of Naturopathic Physicians testified that it was not asking for mandated coverage, but only for a study on the issues. It was not asking to increase any services, but to increase competition within the health care market by removing anticompetitive restrictions. One naturopathic physician testified that naturopathic medicine offers an important choice, with some of its therapies leading to less morbidity and decreased long term health costs.

Naturopathic physicians said that the proposed benefit would not result in any additional health services. It would only provide coverage for treatment by naturopathic physicians working within their lawful scope of practice on the same basis as treatment by a medical doctor.

A naturopathic physician stated the problem is that the Department of Labor and Industrial Relations, in implementing the State's Prepaid Health Care Act, does not define the term "licensed physician" to include naturopathic physicians. The same services that most health plans cover for medical doctors are not covered when provided by naturopathic physicians.

The Hawaii Medical Service Association testified that it has not experienced a great demand from the general public or employers for coverage of naturopathic services. It does not have much information on these services but believes that the proposed coverage would benefit only a few people. However, it concurred with the purpose of the study and was willing to cooperate in the assessment.

The Hawaii Federation of Physicians and Dentists strongly opposed mandating insurance coverage for naturopathic care. The organization felt that state funds should not be spent for such a study.

Most naturopathic physicians interviewed for this report said that the proposal is for "insurance equality," or to require all insurers to reimburse naturopathic physicians for their services when medical doctors are reimbursed for the same services. A number of insurers on the mainland cover naturopathic physicians and other licensed health care providers, such as chiropractors, by including them in their definition of a physician.

Chapter 3

SOCIAL AND FINANCIAL IMPACT OF MANDATING INSURANCE COVERAGE FOR NATUROPATHIC CARE

This chapter assesses the impact of mandating coverage for naturopathic care according to the social and financial criteria set forth in the statutes.

Summary of Findings

There is limited data on the use, benefits, and cost of naturopathic care but we did find the following:

1. *Utilization of naturopathic care is low, primarily because of the limited number of naturopathic physicians.*
2. *There is no evidence of public demand for insurance coverage for naturopathic services.*
3. *Mandating insurance coverage for naturopathic services is unlikely to have any significant impact on the cost of insurance premiums or the cost of health care in the short or long term.*

Social Impact

The extent to which naturopathic care is used by a significant portion of the population. The use of naturopathic care is increasing, but it is still not utilized by a significant portion of the population. The American Association of Naturopathic Physicians has reported a rising interest in naturopathic medicine. In Hawaii, there has been a substantial increase in the number of licensed naturopathic physicians. Between 1980 and 1985, 16 were licensed. Since the licensing program resumed in May 1988, 14 new licenses have been issued. Despite these increases, naturopathic physicians constitute a decidedly small group of health care providers. By contrast, almost 4,000 physicians and surgeons practice in Hawaii.[1]

There is little quantitative information on the number of people using naturopathic care. Insurance carriers who pay for naturopathic care could not separate payments for naturopathic services from those paid to others since the claims are all coded as "physicians services." In view of the small number of naturopathic physicians, the number of patients served is likely to be small.

Naturopathic physicians who were interviewed reported seeing between 4 to 15 patients per day. They see fewer patients than medical doctors because they tend to spend more time with each patient. The American Association of Naturopathic Physicians estimates an average patient load of 500 patients per naturopathic physician. The association indicates that use of naturopathic services has been growing, and that the growth is taking place even though most consumers must pay for these services out of their own pockets.

The extent to which insurance coverage for naturopathic care is already available. Some health insurance coverage is available for naturopathic care, although it is not provided by the two largest insurers in Hawaii, HMSA and Kaiser. Naturopathic physicians report that most of their patients pay for their services out-of-pocket because they belong to HMSA or Kaiser plans.

Insurance coverage is available from other sources. The State Workers Compensation Law covers care by naturopathic physicians. The law includes them in the definition of "physician" as it does doctors of medicine, dentists, chiropractors, osteopaths, and optometrists. The services of naturopathic physicians are also covered by the State Motor Vehicle Insurance Law. Some naturopathic physicians say that most of their patients are workers compensation cases.

Insurance coverage for naturopathic care is available from commercial carriers such as Aetna and Travelers. They offer individual and group plans that cover services by naturopathic physicians on the same basis as services by medical doctors. As noted earlier, however, most people do not belong to these plans.

The extent to which the lack of coverage for naturopathic care prevents people from obtaining the necessary treatment. There is no documentation to establish the extent to which people do not receive naturopathic treatment because of the lack of coverage for naturopathic care. It may be that patients without coverage do not receive their treatment of choice if they are dissatisfied with medical care unless they can afford the out-of-pocket costs. This is the contention of those naturopathic physicians who cite incidents of losing potential patients because of the lack of insurance coverage and patients who have stopped seeing them because they could not afford the out-of-pocket costs.

The extent to which lack of coverage results in unreasonable financial hardship. Naturopathic physicians report that many of their patients discontinue care because they cannot afford the costs. They also report that they do a lot of charity work. However, there is no documentation to establish whether--and the extent to which--patients may be suffering unreasonable financial hardship.

The level of public demand for naturopathic treatment. No data on the level of public demand for naturopathic treatment is available. There have been no surveys or studies that identify the degree of interest in naturopathic care.

In recent years, there has been growing interest in nutrition and its effect on health. Naturopathic physicians point to research that increasingly supports the naturopathic focus on the central role of diet in health. They say that they are the only practitioners who receive extensive training in nutrition and who routinely direct patient care at nutritional therapies, preventive care, and counseling.

The level of public demand for insurance coverage for naturopathic care. There is no evidence of public demand for individual or group coverage of naturopathic services. The HMSA and Kaiser reported no demand for naturopathic coverage.

Demand may not be a useful indicator of consumer interest, because individual choice or preference plays a minor role in the purchase of benefits. Most insurance is sold to groups, with employers or unions acting on behalf of employees. Employers choose plans that comply with the State's Prepaid Health Care Act. They look at the cost advantages of various plan designs, such as deductibles, administrative fees, and so on. As for individual plans, they are usually purchased as packages and are not tailored to individual choice of benefits.

The level of interest of collective bargaining organizations in this coverage. We found no interest in increasing insurance coverage among the collective bargaining organizations we contacted. Unions as well as employers are increasingly aware of the costs of coverage. If additional coverage is to be considered, the more popular items would be vision and dental care and prescription drugs.

The impact of indirect costs other than premium and administrative costs on the question of the costs and benefits of coverage. This question asks what indirect impact the

proposed coverage would have. There is little information on this because there has been no experience with mandated naturopathic coverage elsewhere.

Naturopathic physicians point out that an indirect benefit would be greater competition in the health care marketplace. The Federal Trade Commission has reported that one result of its successful challenge of anticompetitive restrictions by the American Medical Association is to focus public attention on the role of economic competition in delivering health care. The commission notes that increased competition has resulted in longer office hours, reduced waiting time for patients, and more service and price options. Some of these options help to hold down the cost of health care and health insurance.[2]

Financial Impact

The extent to which insurance coverage might increase or decrease the cost of naturopathic treatment. The impact of insurance coverage on the cost of treatment is unknown. Some naturopathic physicians who were interviewed said that the cost would go down because the increased volume of patients would allow them to reduce their fees. Others said that the cost might go up because coverage would create more paperwork. Still others said that it would probably neither increase nor decrease costs.

The extent to which the proposed coverage might increase the use of naturopathic treatment. There has been no experience with mandated insurance for naturopathic care, but it is probable that coverage would increase the use of treatment. There is no research data to provide any answers with respect to naturopathy, but there is consensus that generally the use of health care services increases with insurance coverage.

For example, studies by insurers have found that the use of chiropractic services increased when insurance benefits were mandated by law. The number and dollar amount of chiropractic services covered by insurance increased, but whether this is due to greater utilization of chiropractors was not established.

The extent to which naturopathic treatment might be an alternative to more expensive treatment. Research on this issue is limited, but naturopathic physicians say that there is solid support for the therapeutic efficacy and the cost effectiveness of naturopathic medicine. This is based on what they say is the historic role of naturopathic therapies in combating high-cost chronic diseases, naturopathy's leading role in providing nutritional counseling and other preventive services, and the reduction of health care costs through more natural therapies. They estimate that billions of dollars could be saved if doctors worked with their patients to foster more healthful dietary habits.

Naturopathic physicians contend that their therapies are less costly than those of conventional medicine. A recent article found that homeopathic treatment brought improvement in a patient with *myasthenia gravis* (disorder of neuromuscular function) for five percent of the cost of orthodox therapy.[3]

Naturopathic physicians say that expensive treatment such as surgery and the use of expensive drugs could be replaced by noninvasive therapies. They have challenged as "inappropriate use of medical technology" the $2 billion spent on treating ear infections (*otitis media*) in children. One experiment found that medical treatments such as antibiotics, decongestants, and the insertion of ear tubes to help drainage were no better than placebos. Naturopathic physicians suggest that a more appropriate treatment is to check for allergies.[4] Mastectomies, tonsillectomies, coronary bypass, and hysterectomies are other surgeries that are said

to be overused. Drug treatment often masks the real cause of illness and can result in significant adverse reactions that could be costly. These side effects can damage health significantly.

The extent to which insurance coverage might increase or decrease insurance premiums of subscribers and administrative expenses of insurers. It is likely that there would be no additional premium costs for requiring naturopathic coverage. The Wyatt Company was contracted to provide actuarial services and to develop information on this question. Based on information from 24 underwriters of indemnity medical plans, Wyatt found that eight carriers added no premium costs to group or individual plans in states where naturopathic services are covered. Two carriers said that they add $.01 per month to the cost of individual plans and $.03 to the cost of family plans. They add nothing to the cost for group coverage.

Wyatt found no data that would enable them to determine whether the use of naturopathic services increases or decreases the cost of individual or group health care plans. Indemnity insurance carriers that cover naturopathic services report that they do not have sufficient information on costs, because claims for these services would be coded the same as those for the services of a medical doctor.

If the services were allowed as covered expenses under medical plans, the cost of coverage would increase only if patients continued to see their doctors and also sought services from a naturopathic physician. If naturopathic medicines were to replace drugs, however, costs could be reduced.

The impact of coverage for naturopathic treatment on the total cost of health care. The Wyatt Company was unable to offer an estimate of the impact of coverage on the overall cost of health care because statistical data simply was not available.

Wyatt reports that some carriers feel plans that include naturopathic services will save money. Naturopathic physicians typically charge the same for office visits as do other physicians in general practice. The treatments they use are less costly than those that might be recommended or prescribed by medical doctors, and many treatments have no direct costs attached to them.

Conclusion

There is no evidence of any significant demand to require insurers to include naturopathic coverage in their plans. At the same time, there is no evidence that the coverage will add to the cost of insurance or the total cost of health care.

NOTES

Chapter 2

1. *Statistical Abstract of the United States, 1989*, 109th Edition, Washington, D.C., U.S. Department of Commerce, January, 1989, Table 135, p. 90.

2. *Ibid.*, Table 139, p. 93.

3. Leonard H. Glantz, "Mandating Health Insurance Benefits in the Private Sector: A Decision for State Legislatures," *American Journal of Public Health*, November 1985, p. 1345.

4. Maryland, Department of Legislative Reference, "Assuring Access to Health Care: Federal and State Trends in Mandating Health Insurance Benefits," *Legislative Report Series*, vol. 6, no. 4, September 1988.

5. "Health Care," *All About Business in Hawaii*, 17th Annual Edition, 1989, p. 49.

6. "Naturopaths Now Legit in 8 States," *Medical Tribune*, October 13, 1988, p. 16.

Chapter 3

1. *State of Hawaii Data Book, 1988*, Honolulu, Department of Business and Economic Development, 1988, p. 89.

2. L. Barry Costilo, "Antitrust Enforcement in Health Care," *New England Journal of Medicine*, vol. 313, no. 14, October 3, 1985, p. 901.

3. K. H. Gypser, "Myasthenia Gravis--Natrum Muriaticum," *Classical Homeopathy Quarterly*, vol. 2, no. 1, 1989, pp. 11-16.

4. Press release, "Naturopathic Physicians Offer Sound Alternative to the 'Tonsillectomy of the 80s.'"

RESPONSE OF THE AFFECTED AGENCY

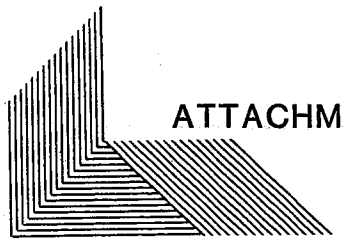
COMMENTS ON AGENCY RESPONSE

We transmitted a preliminary draft of this report to the Department of Health on November 14, 1989. A copy of the transmittal letter to the department is included as Attachment 1; the response from the department is included as Attachment 2.

The Department of Health agrees that mandating health insurance coverage in a piecement fashion is not the best solution for solving jurisidictional or social problems. The department feels that the report may be misleading because it does not reflect real differences between naturopathy and physicians licensed under Chapters 453 and 460. The department says that naturopaths do not have training or education equivalent to that of physicians, they may not perform surgery or take x-rays, and their services cannot be equated to those of doctors of medicine. It states that it would be unjustified and misleading to include naturopaths in the definition of physician in the Prepaid Health Care Act.

The department points out that the number of states now licensing naturopaths continues to decline. Its concluding observation is that no other state mandates health insurance coverage for naturopathic care, and it would not be in the public interest for Hawaii to be the first.

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
465 S. KING STREET, RM. 500
HONOLULU, HAWAII 96813



ATTACHMENT 1

COPY

November 14, 1989

The Honorable John C. Lewin
Director of Health
Department of Health
1250 Punchbowl Street
Honolulu, Hawaii 96813

Dear Dr. Lewin:

Enclosed are three copies, number 4 to 6 of our draft, *Study of Proposed Mandatory Health Insurance for Naturopathic Care.* We ask that you telephone us by November 17, 1989, on whether you intend to comment on our recommendations. Should you decide to respond, please transmit the written comments to us by November 29, 1989. We will append your response to the report submitted to the Legislature.

The Governor and the presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since the report is not in final form and changes may be made, access to this report should be restricted to those whom you might wish to assist you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Newton Sue
Acting Legislative Auditor

Enclosures

ATTACHMENT 2

JOHN WAIHEE
GOVERNOR OF HAWAII

JOHN C. LEWIN, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. BOX 3378
HONOLULU, HAWAII 96801

In reply, please refer to:
File: MedH-HMF

November 28, 1989

RECEIVED
Nov 29 10 49 AM '89
OFC. OF THE AUDITOR
STATE OF HAWAII

To: Mr. Newton Sue, Acting Auditor
Legislative Auditor's Office

From: Director of Health

Subject: **Response to the Legislative Auditor's Study of Mandatory Health Insurance for Naturopathic Care**

The Department agrees with the Legislative Auditor that mandating health insurance coverage in a piecemeal fashion is not the best solution for solving jurisdictional or social problems. We believe that mandating the coverage of naturopathy would not be in the best interests of the public. We do feel the need to amplify and expand on the draft report's coverage. We believe that the report does not accurately reflect on the real differences between naturopathy on the one hand and physicians licensed under Chapter 453 and 460, HRS.

The draft report on the background of Naturopathy and the training and practices of naturopaths appears to have been written on the assumption that naturopathic practitioners are equivalent to physicians licensed under Chapters 453 and 460, HRS, with respect to their education, training, and capabilities. Since the proposal is that treatment given by naturopaths be covered on the same basis as treatment by medical doctors, this bears consideration. There are several areas of the draft report which rather vaguely imply training is equivalent to physicians trained in schools of medicine and may, consequently, be misleading.

For example on page 6 it is said that "naturopaths use standard methods to diagnose ailments. They take medical histories, order laboratory tests, and do physical examinations." This seems to imply that they proceed in these matters just as physicians licensed under Chapters 453 and 460, HRS, do.

On page 7, a statement is made that the first two years of study in a naturopathy college "cover basic medical sciences." It then states that the curriculum emphasizes nutrition and botanical medicines." The word "cover" is unfortunate and would seem misleading, as these

are not the basic sciences of gross anatomy, neurology, physiology, microanatomy, chemistry, pharmacology, pathology, and other basic science subjects required of medical students. Similarly, the array of diagnostic procedures and the depth of training in interpreting laboratory tests and physical findings is different in naturopathy.

On page 6 the draft report says "naturopaths may perform minor surgery and x-rays; however, these practices are prohibited under Hawaii law." The training and capabilities of naturopaths have been considered at length by the last two Legislatures, and it was concluded that it was not in the best interests of the health and safety of the people of Hawaii to permit naturopaths to perform any surgery or to take x-rays. Hence, they may not perform surgery or take x-rays.

In short, the training and interpretive capabilities of naturopaths are not those required and expected of doctors of medicine, and the services rendered cannot be equated. They are different.

The report states that naturopaths said that the mandated coverage "would only provide coverage . . . on the same basis as treatment by a medical doctor." It says that naturopaths claim "the problem is that the State's Prepaid Health Care Act does not define the term 'licensed physician' to include naturopathic physicians."

Then it states that a "number of insurers on the mainland cover naturopathic physicians, and other licensed health care providers such as chiropractors by including them in their definition of physician."

There appears to be a concerted effort by naturopaths to "prove" that naturopath training and services are equivalent to those of medical doctors. We believe that any proposal to include naturopaths in the definition of physician in the Prepaid Health Care Act, or any other definition of physician, would be unjustified and misleading to the public.

The report further indicates that a growing number of naturopaths reflects an increased interest in naturopathy and this may be a reason for mandating coverage. While there is much more interest in relating to our natural surroundings and enhancing our health through natural means, this philosophy encompasses all levels of medicine. One must also observe the fact that the number of states now licensing naturopaths continues to decline and is currently limited to: Connecticut, Arizona, Washington, Oregon, and Hawaii. With 40-50 new graduates each year from the two schools that exist, one in Oregon and one in Washington, the numbers are bound to increase in those states authorizing the practice.

We agree with the draft report that finds no evidence of public demand for coverage of naturopathic services.

While the financial impact of coverage would be little, according to the draft report, we believe that the piecemeal mandate of such a service would add unnecessarily to the administrative burdens of insurance carriers.

No state in the nation mandates coverage of naturopathic services. For the reasons elaborated above, we do not believe it is in the public interest for Hawaii to be the first.

JOHN C. LEWIN, M.D.