
A BILL FOR AN ACT

RELATING TO HEALTH CARE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that it is in the best
2 interest of the State of Hawaii for each and every permanent
3 resident to have high quality and affordable health care
4 insurance coverage. Health care is more than just medical
5 insurance payouts. It includes cost-saving and early
6 intervention measures to prevent medical conditions from
7 becoming chronic, permanently disabling, or fatal.

8 Hawaii's current health care insurance complex is a
9 disjointed, costly, inefficient, and unnecessarily complicated
10 multi-payer private medical insurance model that is mostly
11 profit-driven, adversarial, beset with constant cost-shifting
12 and reluctant health care delivery, onerously bureaucratic, and
13 generally economically irrational. Additionally, health care
14 rates are skyrocketing at or near double-digit annual rates and
15 are creating an affordability and accessibility crisis for
16 Hawaii's residents.

17 The three biggest cost-drivers of health care in the United
18 States and Hawaii today are associated with the following:



- 1 (1) A profit-driven complex of payment-reluctant multi-
2 payer health insurance bureaucracies competing to
3 insure only the healthy and the wealthy, while leaving
4 those who need health care the most, to the taxpayers;
- 5 (2) The lack of a central electronic health care database;
6 and
- 7 (3) Inordinately high-cost prescription drugs.

8 For more than a quarter of a century, Hawaii was far ahead
9 of most other states and often called itself "the health state"
10 because of the 1974 Prepaid Health Care Act. In 1994 Hawaii had
11 a low uninsured population of between two and five per cent.
12 But, the crisis in health care on the United States continent
13 began coming to Hawaii.

14 Today, more than one hundred thousand Hawaii residents are
15 without any health care insurance coverage. More than twelve
16 thousand of the uninsured are children. Many other Hawaii
17 residents are underinsured, unable to use their insurance
18 properly or even at all, because of increasingly expensive
19 deductibles and out-of-pocket co-payments for outpatient visits,
20 diagnostic tests, and prescription drugs, among other factors.

21 The annual high increase in premium costs translates into
22 increased employer costs. Under the Prepaid Health Care Act,



1 private-sector employers are required to pay health insurance
2 premiums equal to the amount of the premium that exceeds the cap
3 on employee contributions of one and one-half per cent of a
4 full-time employee's pay. Public employers generally pay even
5 more because of their exemption from the Prepaid Health Care Act
6 and must negotiate with their employees for employer-provided
7 family health care insurance.

8 The Prepaid Health Care Act does not require employers to
9 provide health insurance coverage for employees working less
10 than twenty hours per week. Increasing health insurance costs
11 prompted some employers to hire individuals to work only part-
12 time, or less than twenty hours per week, to avoid having to pay
13 for employee health care benefits under the Prepaid Health Care
14 Act.

15 Even well-insured individuals are experiencing problems
16 with their health maintenance organizations and insurance
17 companies denying, or very reluctantly dispensing, expensive
18 medicines and treatments. A 2005 national study by Harvard
19 University found that about half of all bankruptcy filings are
20 partly due to medical expenses, and most people who file for
21 bankruptcy protection because of medical problems have health
22 insurance.



1 The legislature further finds that Canada has for many
2 years had a tried, tested, and true universal, publicly
3 administered health care-for-all health care insurance model
4 with one payout agency for caregivers and providers. A
5 variation of this very successful system adapted to meet the
6 unique conditions in Hawaii would be very beneficial for the
7 following reasons:

8 (1) For union members and their employers, it means taking
9 health care off the negotiating table;

10 (2) For patients, as taxpayers and insurance premium-
11 payers, it means significant reductions in overall
12 costs, increases in benefits, and the slowing of
13 annual inflation cost increases. It also means a
14 transition from increasingly uncaring profit-driven
15 health care to the restoration of human-need driven
16 mutually respectful and caring patient-doctor-nurse-
17 and other caregiver relationships, which in earlier
18 times were fundamental to meaningful health care;

19 (3) For businesses, large and small, it reduces
20 significant overhead expenses;

21 (4) For the local economy, it means keeping almost all
22 health care dollars in the State;



1 (5) For government, it means having one integrated
2 electronic health information database for
3 unprecedented planning and cost-containment
4 capabilities. It also means relief from the perceived
5 emerging problem of "unfunded liabilities" associated
6 with long-term funding of government retiree lifetime
7 health care benefits;

8 (6) For physicians, nurses, and other caregivers, it means
9 less paperwork, much less work stress, and much more
10 time with patients;

11 (7) For hospitals, community health clinics, home-care
12 providers, and long-term care facilities, it means
13 sufficient and dependable annual financing through
14 global budgets; and

15 (8) For the general public, it means accessible and
16 affordable health care for every person, and relief
17 from the increasing stresses of constant worry over
18 the instability of health care coverage.

19 The legislature declares that single-payer, uniformly-
20 delivered high-quality health care-for-all is a basic human
21 right for Hawaii's citizens.

1 care agency, and long-term care facility to cover all operating
2 expenses.

3 "Health care registration cards" means a personalized
4 medical identification card showing that a permanent resident is
5 covered by the single-payer universal health care system.

6 "Medically necessary" means procedures, treatments, and
7 other services that are needed and performed primarily by the
8 physicians and other qualified health care practitioners
9 according to medical best practices and that are recognized as
10 such by the authority.

11 "Pay-as-we-go" means monthly health care funding and
12 insurance claims paid-out immediately for those needing
13 medically necessary health care.

14 "Prepaid" means the state-funded single-payer health care
15 for all insurance system providing medically necessary health
16 care services without fees, co-payments, or deductibles at the
17 time health care is needed.

18 "Single-payer universal health care insurance system" means
19 a system covering all permanent residents of this State.

20 "State health care insurance planning and financing
21 authority" means the administrator of the universal single-payer
22 health care insurance system for the State.



1 "Universal" means health care for all of Hawaii's permanent
2 residents.

3 "Universal health care provision fund" means the fund used
4 by the authority to collect funds and from which claims can be
5 paid. The authority may also administer an emergencies and
6 demographic changes contingencies reserve fund and a retraining
7 fund for health care employees affected by the transition to the
8 single-payer universal health care insurance system.

9 § -2 **Single-payer universal health care insurance**
10 **system; established.** There is established the single-payer
11 universal health care insurance system to provide the same
12 uniformly high-quality level of medically necessary health care
13 to all permanent residents of this State. Private health care
14 insurers are prohibited from duplicating the coverages provided
15 by the single-payer universal health care insurance system.

16 § -3 **Twenty functional concepts; established.** The
17 state-funded single-payer universal health care insurance system
18 is based upon twenty functional concepts as follows:

- 19 (1) Universal. The single-payer universal health care
20 insurance system finances health care-for-all which
21 means quality health care is universally available on
22 a prepaid basis to permanent residents;

- 1 (2) Prepaid. The state-funded single-payer health care-
2 for-all insurance system that provides medically-
3 necessary health care services without fees, co-
4 payments, or deductibles at the time of health care
5 need. The system operates on a pay-as-we-go basis.
6 Income and other taxes are collected by the system on
7 an ongoing basis through payroll deduction or at
8 retail checkout counters, or both, or through other
9 appropriate revenue raising methods, including
10 existing funding from federal and state sources
11 including but not limited to medicare and medicaid,
12 prepaid health care act funds, employee union trust
13 fund funds, until full transition is completed, as the
14 funds for pre-paying for health care services when
15 they are needed. Persons with health care needs may
16 present their health care registration cards to
17 receive medically necessary health care services
18 without ever seeing a bill for them. This represents
19 great savings over previous billing processes;
- 20 (3) Comprehensive. The single-payer universal health care
21 insurance system is comprehensive in that it covers
22 all medically necessary hospital, physician, dentist,



- 1 home-care, and long-term care services for every
2 Hawaii permanent resident;
- 3 (4) Medically necessary. Medically necessary procedures,
4 treatments, and other services that are primarily the
5 responsibility of physicians and other qualified
6 health care practitioners according to well-
7 established best practices that are recognized by the
8 authority. In addition, the county health care review
9 boards shall assess which prescription drugs,
10 appliances, services, and delivery modes are medically
11 necessary or effective, or both, and accordingly make
12 their recommendations to the authority;
- 13 (5) Accessible. There is accessibility to one high-
14 quality level of health care-for-all without income or
15 other barriers;
- 16 (6) High-quality. Uniformly high quality of systemwide
17 health care provision is the standard of the single-
18 payer universal health care system;
- 19 (7) Choice. Patients have their choice of physician,
20 dentist, and other single-payer universal health care
21 system caregivers;



- 1 (8) Portable. The single-payer universal health care
2 system coverage is portable for permanent residents
3 within and outside the State. Portability applies
4 primarily between islands and counties. Also,
5 portability within the State means that when employees
6 change employers there is no problem with having to
7 change health care plans. This chapter also entitles
8 permanent residents of this State to receive medically
9 necessary services in relation to an emergency when
10 absence from the State is temporary, such as on
11 business or vacation;
- 12 (9) Publicly administered. The single-payer universal
13 health care insurance system shall be maintained and
14 administered by an elected authority;
- 15 (10) Publicly funded. Health care insurance premiums are
16 directly and indirectly collected through taxes or
17 other authority revenue-raising measures, or both, and
18 deposited immediately into the State's universal
19 health care provision fund. The fund is used by the
20 authority to collect and pay out health care insurance
21 claims and global budget funds to institutional
22 providers on a pay-as-we-go basis or allocated as



1 needed into the universal health care provision fund
2 health care pay-outs reserve, or both. There shall be
3 a fiscal firewall between the universal health care
4 provision fund and the state budget;

5 (11) Single-payer. Financing of the health care-for-all
6 system shall be publicly funded and health care
7 insurance claims shall be paid out to physicians,
8 dentists, hospitals, and other eligible caregivers and
9 providers by the single pay-out government agency, or
10 the authority, on a pay-as-we-go basis;

11 (12) Pay-as-we-go. Health care funding is raised each
12 ongoing month and insurance claims are paid-out as
13 soon as practicable, for those needing medically
14 necessary health care;

15 (13) Universal health care provision fund. The universal
16 health care provision fund is fundamental to the
17 single-payer universal health care system and is used
18 by the authority to collect and pay out health care
19 insurance claims and global budget funds to
20 institutional providers on a pay-as-we-go basis or to
21 be allocated as needed into the universal health care
22 provision fund health care pay-outs reserve. Part of



1 the purpose of the reserve fund is to provide
2 retraining grants. The other part is for health care
3 related contingencies to build capital improvement
4 support funding;

5 (14) Fiscal firewall. Medically necessary is the operative
6 term throughout the single-payer universal health care
7 system; but, nowhere more so than in regard to the
8 funding of the system. The autonomous authority
9 oversees and maintains the universal health care
10 provision fund, which is completely independent of the
11 state budget;

12 (15) Central unified electronic health information system
13 database. The single-payer universal health care
14 insurance system collects and maintains in real-time
15 an up-to-the-minute single central database for
16 comprehensive, complete, and accurate electronic
17 health care information. This is a very significant
18 major source of savings and cost-containment which
19 makes the low-cost financing of comprehensive single-
20 payer universal health care possible. This unified
21 high-technology health information system, for
22 instance, enables:



- 1 (A) Accurate future projections;
- 2 (B) Unprecedented planning and cost-containment
- 3 capabilities;
- 4 (C) Early detection of medical mistakes, malpractice,
- 5 and fraud; and
- 6 (D) Early system-wide sharing of emerging best
- 7 practices;
- 8 (16) County health care review boards. County health care
- 9 review boards are elected, independent bodies
- 10 established by each county government, along the lines
- 11 of Oahu's elected neighborhood board system, to
- 12 continuously monitor health care conditions in their
- 13 respective counties to assist the authority in making
- 14 the single-payer universal health care insurance
- 15 system fit the specific health care needs of each
- 16 island;
- 17 (17) Retraining fund. A retraining fund is collected as
- 18 part of the universal health care provision fund. The
- 19 purpose is to provide cost-effective funding for
- 20 health field workers displaced by the transition to
- 21 the single-payer universal health care system;



1 (18) Global budgets. The authority pays each hospital,
2 community health clinic, home-care agency, and long-
3 term care facility an annual or monthly global lump
4 sum to cover all operating expenses that is, a global
5 budget. Hospitals, long-term care facilities, and
6 home-care agencies, and the authority negotiate the
7 amount of these payments annually, based on past
8 expenditures, previous financial and clinical
9 performance, projected changes in levels of services,
10 wages and input costs, and proposed new and innovative
11 programs. Hospitals, long-term care facilities, and
12 home-care agencies may not bill for non-operating
13 expenses. Hospitals, long-term care facilities, and
14 home-care agencies may not use any of their operating
15 budget for expansion, profit, excessive executives'
16 incomes, marketing, or major capital purchases or
17 leases. Major capital expenditures come from the
18 universal health care provision fund, but will be
19 appropriated separately based upon community needs.
20 Investor-owned hospitals will be converted to not-for-
21 profit status, and their owners compensated for past
22 investment. Global budgets for institutional



1 providers eliminate billing, while providing a
2 predictable and stable financial support;
3 (19) Lifetime individual identification number. The
4 authority systematically registers each permanent
5 resident of this State with an assigned lifetime
6 identification number so that they are covered by the
7 system and issues to them a single-payer universal
8 health care system health care user card. Also, this
9 is the first step in bringing all of Hawaii's health
10 care information into one secure, constantly updated,
11 central, unified electronic, computerized health
12 information system database; and

13 (20) Health care registration cards. Eligible health care
14 users of the single-payer universal health care
15 insurance system shall register with the system and be
16 issued a lifetime individual identification number and
17 a health care registration card to be able to access
18 system health care. Newborn residents will be
19 registered at birth, in most cases by the facility
20 where the birth occurs.

21 § -4 State health care insurance planning and financing
22 authority. (a) There is established within the department of



1 taxation, for administrative support purposes, the elected
2 autonomous state health care insurance planning and financing
3 authority, to determine the costs of the system, and to gather
4 the needed financing methods and transition mechanisms,
5 including the retraining of affected personnel.

6 (b) The state office of elections shall prepare and
7 execute all the necessary procedures for the election of
8 authority members in the 2008 elections in accordance with this
9 chapter.

10 (c) Trustee-members of the authority shall be chosen
11 through statewide election. The authority shall be composed of
12 seven voting trustee-members, and meet the same age and state
13 residency requirements as candidates for the state senate.
14 There shall be one trustee-chairperson member elected with no
15 county residency requirement. All trustee-members shall be
16 elected by voters statewide for terms of six years each; except
17 that the terms of the six non-chairperson trustee-members in the
18 first election shall be:

19 (1) Two each for two, four, and six years, respectively,
20 with each member's initial term of two, four, or six
21 years being determined by lottery conducted by the
22 office of elections;



1 (2) Three of the non-chairperson trustees-members shall be
2 residents of the city and county of Honolulu; and

3 (3) Three, one each, shall be a permanent resident of
4 Hawaii county, Kauai county, and Maui county,
5 respectively.

6 (d) Effective Wednesday, November 5, 2008, the authority,
7 as soon as possible upon taking office, shall move to organize
8 according to the provisions of this chapter and in that process
9 to assume:

10 (1) The functions of the state health planning and
11 development agency, which are hereby transferred to
12 the authority;

13 (2) The responsibilities associated with being the new
14 state liaison with the centers for medicare and
15 medicaid services and other federal health care
16 agencies;

17 (3) The functions of the Prepaid Health Care Act; and

18 (4) The functions and responsibilities of the Hawaii
19 employer-union health benefits trust fund.

20 The functions under paragraphs (3) and (4) shall be maintained
21 intact and stable until the full integration of each into the
22 system can be completed by the authority.



1 (e) The authority, in the spirit and within the parameters
2 of, the twenty functional-concepts enumerated in section -4
3 for the single-payer universal health care system, shall:

4 (1) Start-up and maintain a trust fund comprised of a pay-
5 as-we-go transfer payments system and contingencies
6 and retraining reserve fund;

7 (2) Negotiate and receive all federal, state, and other
8 appropriate health care revenue;

9 (3) Assess temporary progressive income and general excise
10 taxes for start-up and on-going maintenance of the
11 system, based on the medically necessary requirements
12 of health care for all Hawaii residents and for
13 emergency costs as necessary, for instance, during
14 epidemic or other medical catastrophe;

15 (4) Be the single-payer of universal health care financing
16 (the one payout agency);

17 (5) Hire a chief executive officer who shall be
18 accountable to the authority trustees for the
19 development and success of the single-payer universal
20 health care system; and

21 (6) Conduct a continuous and ongoing program of
22 enrollment.



1 (f) The concurrence of a majority of all members shall be
2 necessary to make any action of the authority valid.

3 (g) The salary of the executive director shall be \$
4 a year and the salaries of the trustee-chairperson shall be
5 \$ a year, and the other trustee-members shall be
6 \$ a year."

7 SECTION 3. This Act shall take effect on July 1, 2008.

8

INTRODUCED BY: *Della A. Belatti*
(BY REQUEST)
JAN 23 2007



Report Title:

Universal Health Care

Description:

Establishes agency to operate a single-payer universal health care insurance system.

