
A BILL FOR AN ACT

RELATING TO HEALTH CARE SERVICES.

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

1 SECTION 1. This Act shall be known as the "Health Care
2 Reinvestment Act".

3 SECTION 2. The legislature finds that according to the
4 American Hospital Association, one third of the nation's
5 hospitals already operate in the red. Hospitals are incurring
6 high additional costs ensuring essential health care services
7 such as emergency on-call coverage, emergency transport
8 services, and services provided by struggling rural hospitals.
9 Between 2000 and 2004, hospitals reduced essential health care
10 services as they faced volume increases, higher costs, liability
11 concerns, and low or no payment for trauma services.

12 While Hawaii has been a leader in providing health care
13 insurance to permanent employees who work a minimum of twenty
14 hours per week, pursuant to the Prepaid Health Care Act, there
15 are many who are unable to obtain such coverage. Employers have
16 been hit hard by the high cost of health care and, therefore,
17 may employ more people at less than twenty hours per week to
18 avoid having to pay health insurance coverage. This may save



1 money for the employer in the short-term, but the long-term
2 repercussions will have serious health and economic effects on
3 us all.

4 It is imperative that health care coverage be provided to
5 all, regardless of age, race, ethnicity, income, or health
6 status who are ineligible for any state or federal health care
7 program. Health care coverage provided to those in need will
8 relieve a significant amount of strain on hospitals by
9 facilitating:

- 10 (1) Reimbursements for health care services providers;
- 11 (2) Regular health maintenance through a primary care
12 physician for acute or chronic health conditions; and
- 13 (3) A reduction in costly emergency room visits.

14 The purpose of this Act is to earmark general excise tax
15 revenues generated by health care services to support:

- 16 (1) Hawaii's trauma system;
- 17 (2) First responder activities relating to disasters;
- 18 (3) Statewide aeromedical evacuation programs;
- 19 (4) Rural hospitals;
- 20 (5) A structural assessment of hospitals and long-term
21 care facilities to determine their ability to



1 withstand hurricanes, earthquakes, and other natural
2 disasters; and

3 (6) Reduce the number of uninsured in Hawaii.

4 SECTION 3. Chapter 321, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§321- Health care reinvestment fund; support for health
8 care services. (a) There is established the health care
9 reinvestment fund, to be administered by the department of
10 health, and into which shall be deposited state general excise
11 tax revenues generated by health care services, as defined under
12 section 237-31, and collected each fiscal year under section
13 237-31; provided that of the taxes collected:

14 (1) Twenty-five per cent shall be deposited into the
15 trauma system special fund established under section
16 321-22.5;

17 (2) Ten per cent shall be expended to provide medical
18 malpractice insurance subsidies for subspecialists
19 such as orthopedics, trauma surgery, general surgery,
20 and obstetrics/gynecology;



1 (3) Ten per cent shall be used to support statewide
2 aeromedical evacuation services authorized in section
3 321-228;

4 (4) Ten per cent shall be expended to support emergency
5 facilities and provide grants to keep rural hospitals
6 open, including resources for Kahuku hospital;

7 (5) Ten per cent shall be expended to support health care
8 workforce development for medically underserved areas
9 of the state; and

10 (6) The remaining taxes collected shall be used for
11 legislative appropriations to the health insurance
12 support special fund established under section 346- .

13 (b) The department shall submit a report to the
14 legislature no fewer than twenty days prior to the convening of
15 each regular session, beginning with the regular session of
16 2008, that includes:

17 (1) The status of the health care reinvestment fund;

18 (2) The amount of moneys taken in by and expended from the
19 fund; and

20 (3) The purposes for which these amounts were expended.

21 (c) The director of health shall adopt rules in accordance
22 with chapter 91 to carry out the purposes of this section.



1 (d) As used in this section "medically underserved area"
 2 means a geographic region designated by the Secretary of the
 3 United States Department of Health and Human Services under 42
 4 U.S.C. § 254e as a primary medical care health professional
 5 shortage area."

6 SECTION 4. Chapter 346, Hawaii Revised Statutes, is
 7 amended by adding a new section to be appropriately designated
 8 and to read as follows:

9 **"§346- Health insurance support special fund; Hawaii**
 10 **health insurance support.** (a) There is established within the
 11 department the health insurance support special fund, to be
 12 administered by the department, and into which shall be
 13 deposited legislative appropriations from the health care
 14 reinvestment fund.

15 (b) Moneys in the health insurance support special fund
 16 shall be expended by the department for the purposes of
 17 supporting:

- 18 (1) Reimbursements to health care providers and hospitals
 19 statewide for services rendered to medicaid patients;
- 20 (2) The department's keiki care program established
 21 pursuant to H.B. No. 1008, H.D. 1, 2007; and



1 (3) Subsidies for part-time worker insurance plans to
2 provide for those who do not qualify to receive
3 employer-funded health insurance under the Hawaii
4 Prepaid Health Care Act.

5 (c) The department shall submit a report to the
6 legislature, no fewer than twenty days prior to the convening of
7 each regular session, beginning with the regular session of
8 2008, which shall include:

9 (1) The status of the health insurance support special
10 fund;

11 (2) The amount of moneys taken in by and expended from the
12 fund; and

13 (3) The purposes for which these amounts were expended.

14 (d) The director shall adopt rules in accordance with
15 chapter 91 to carry out the purposes of this section.

16 (e) As used in this section "health care provider" means
17 an individual or institution licensed, certified, or otherwise
18 authorized or permitted by law to provide health care in the
19 ordinary course of business or practice of a profession."

20 SECTION 5. Section 36-27, Hawaii Revised Statutes, is
21 amended to read as follows:



1 **"§36-27 Transfers from special funds for central service**
2 **expenses.** Except as provided in this section, and
3 notwithstanding any other law to the contrary, from time to
4 time, the director of finance, for the purpose of defraying the
5 prorated estimate of central service expenses of government in
6 relation to all special funds, except the:

- 7 (1) Special out-of-school time instructional program fund
- 8 under section 302A-1310;
- 9 (2) School cafeteria special funds of the department of
- 10 education;
- 11 (3) Special funds of the University of Hawaii;
- 12 (4) State educational facilities improvement special fund;
- 13 (5) Convention center enterprise special fund under
- 14 section 201B-8;
- 15 (6) Special funds established by section 206E-6;
- 16 (7) Housing loan program revenue bond special fund;
- 17 (8) Housing project bond special fund;
- 18 (9) Aloha Tower fund created by section 206J-17;
- 19 (10) Funds of the employees' retirement system created by
- 20 section 88-109;
- 21 (11) Unemployment compensation fund established under
- 22 section 383-121;



- 1 (12) Hawaii hurricane relief fund established under chapter
- 2 431P;
- 3 (13) Hawaii health systems corporation special funds;
- 4 (14) Tourism special fund established under section
- 5 201B-11;
- 6 (15) Universal service fund established under chapter 269;
- 7 (16) Integrated tax information management systems special
- 8 fund under section 231-3.2;
- 9 (17) Emergency and budget reserve fund under section
- 10 328L-3;
- 11 (18) Public schools special fees and charges fund under
- 12 section 302A-1130(f);
- 13 (19) Sport fish special fund under section 187A-9.5;
- 14 (20) Neurotrauma special fund under section 321H-4;
- 15 (21) Deposit beverage container deposit special fund under
- 16 section 342G-104;
- 17 (22) Glass advance disposal fee special fund established by
- 18 section 342G-82;
- 19 (23) Center for nursing special fund under section [†]304A-
- 20 2163[†];
- 21 (24) Passenger facility charge special fund established by
- 22 section 261-5.5;



- 1 (25) Solicitation of funds for charitable purposes special
- 2 fund established by section 467B-15;
- 3 (26) Land conservation fund established by section 173A-5;
- 4 (27) Court interpreting services revolving fund under
- 5 section 607-1.5;
- 6 (28) Trauma system special fund under section 321-22.5;
- 7 (29) Hawaii cancer research special fund;
- 8 (30) Community health centers special fund; [~~and~~]
- 9 (31) Emergency medical services special fund[+];
- 10 (32) Health insurance support special fund established by
- 11 section 346- ; and
- 12 (33) Health care reinvestment fund established by section
- 13 321- ;

14 shall deduct five per cent of all receipts of all other special
 15 funds, which [~~deduction~~] shall be transferred to the general
 16 fund of the State and become general realizations of the State.
 17 All officers of the State and other persons having power to
 18 allocate or disburse any special funds shall cooperate with the
 19 director in effecting these transfers. To determine the proper
 20 revenue base upon which the central service assessment is to be
 21 calculated, the director shall adopt rules pursuant to chapter
 22 91 for the purpose of suspending or limiting the application of



1 the central service assessment of any fund. No later than
2 twenty days prior to the convening of each regular session of
3 the legislature, the director shall report all central service
4 assessments made during the preceding fiscal year.[+]"

5 SECTION 6. Section 36-30, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "**§36-30 Special fund reimbursements for departmental**
8 **administrative expenses.** (a) Each special fund, except the:

- 9 (1) Transportation use special fund established by section
10 261D-1;
- 11 (2) Special out-of-school time instructional program fund
12 under section 302A-1310;
- 13 (3) School cafeteria special funds of the department of
14 education;
- 15 (4) Special funds of the University of Hawaii;
- 16 (5) State educational facilities improvement special fund;
- 17 (6) Special funds established by section 206E-6;
- 18 (7) Aloha Tower fund created by section 206J-17;
- 19 (8) Funds of the employees' retirement system created by
20 section 88-109;
- 21 (9) Unemployment compensation fund established under
22 section 383-121;



- 1 (10) Hawaii hurricane relief fund established under chapter
2 431P;
- 3 (11) Convention center enterprise special fund established
4 under section 201B-8;
- 5 (12) Hawaii health systems corporation special funds;
- 6 (13) Tourism special fund established under section
7 201B-11;
- 8 (14) Universal service fund established under chapter 269;
- 9 (15) Integrated tax information management systems special
10 fund under section 231-3.2;
- 11 (16) Emergency and budget reserve fund under section
12 328L-3;
- 13 (17) Public schools special fees and charges fund under
14 section 302A-1130(f);
- 15 (18) Sport fish special fund under section 187A-9.5;
- 16 (19) Neurotrauma special fund under section 321H-4;
- 17 (20) Center for nursing special fund under section [+]304A-
18 2163[+];
- 19 (21) Passenger facility charge special fund established by
20 section 261-5.5;
- 21 (22) Court interpreting services revolving fund under
22 section 607-1.5;



1 (23) Trauma system special fund under section 321-22.5;

2 (24) Hawaii cancer research special fund;

3 (25) Community health centers special fund; [~~and~~]

4 (26) Emergency medical services special fund[+];

5 (27) Health insurance support special fund established by
6 section 346- ; and

7 (28) Health care reinvestment fund established by section
8 321- ;

9 shall be responsible for its pro rata share of the
10 administrative expenses incurred by the department responsible
11 for the operations supported by the special fund concerned.[+]"

12 SECTION 7. Section 237-31, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§237-31 Remittances[-]; disposition.** All remittances of
15 taxes imposed by this chapter shall be made by money, bank
16 draft, check, cashier's check, money order, or certificate of
17 deposit to the office of the department of taxation to which the
18 return was transmitted. The department shall issue its receipts
19 therefore to the taxpayer and shall pay the moneys into the
20 state treasury as a state realization, to be kept and accounted
21 for as provided by law; provided that:



- 1 (1) The sum from all general excise tax revenues realized
2 by the State that represents the difference between
3 \$90,000,000 and the proceeds from the sale of any
4 general obligation bonds authorized for that fiscal
5 year for the purposes of the state educational
6 facilities improvement special fund shall be deposited
7 in the state treasury in each fiscal year to the
8 credit of the state educational facilities improvement
9 special fund for public school capital improvement
10 program needs; [~~and~~]
- 11 (2) A sum, not to exceed \$5,000,000, from all general
12 excise tax revenues realized by the State shall be
13 deposited in the state treasury in each fiscal year to
14 the credit of the compound interest bond reserve
15 fund[~~-~~]; and
- 16 (3) Of the taxes under this chapter collected from health
17 care services each fiscal year with the exception of
18 the county surcharge on state tax authorized by
19 section 46-16.8, a maximum of \$100,000,000 annually
20 shall be deposited to the credit of the health care
21 reinvestment fund, established by section 346- .



1 For purposes of this paragraph, "health care
2 services" means the following medical services:

3 (A) Preventive care;

4 (B) Emergency care;

5 (C) Inpatient and outpatient hospital and physician
6 care;

7 (D) Diagnostic laboratory services;

8 (E) Diagnostic and therapeutic radiological services;
9 and

10 (F) Services purchased from:

11 (i) Dentists;

12 (ii) Chiropractors;

13 (iii) Optometrists;

14 (iv) Psychologists;

15 (v) Physical therapists;

16 (vi) Home nursing care;

17 (vii) Nursing and care homes; and

18 (viii) Counseling."

19 SECTION 8. Section 321-22.5, Hawaii Revised Statutes, is
20 amended by amending subsection (c) to read as follows:

21 "(c) Interest and investment earnings attributable to the
22 moneys in the trauma system special fund, federal funding,



1 legislative appropriations[7] and grants, moneys from the health
 2 care reinvestment fund, donations, and contributions from
 3 private or public sources for the purposes of the trauma system
 4 special fund shall be deposited into the trauma system special
 5 fund."

6 SECTION 9. There is appropriated out of the health care
 7 reinvestment fund the sum of \$45,000,000 or so much there of as
 8 may be necessary for fiscal year 2007-2008 and the same sum or
 9 so much thereof as may be necessary for fiscal year 2008-2009 to
 10 be deposited into the health insurance support special fund.

11 SECTION 10. There is appropriated out of the health
 12 insurance support special fund the sum of \$45,000,000 or so much
 13 thereof as may be necessary for fiscal year 2007-2008 and the
 14 same sum or so much thereof as may be necessary for fiscal year
 15 2008-2009 to support:

- 16 (1) Hospitals in meeting their needs for securing
- 17 emergency on-call services;
- 18 (2) Emergency transport services; and
- 19 (3) Rural hospitals in providing health care services.

20 The sums appropriated shall be expended by the department
 21 of health for the purposes of this Act.



1 SECTION 11. There is appropriated out of the health care
2 reinvestment fund the sum of \$55,000,000 or so much thereof as
3 may be necessary for fiscal year 2007-2008 and the same sum or
4 so much thereof as may be necessary for fiscal year 2008-2009
5 to:

6 (1) Subsidize payments of high-deductible health insurance
7 premiums for employees who are ineligible for
8 employer-provided health insurance pursuant to chapter
9 393, Hawaii Revised Statutes; and

10 (2) Assist individuals who do not qualify for any other
11 state-funded health care insurance assistance program
12 in acquiring adequate health care insurance coverage.

13 The sums appropriated shall be expended by the department
14 of human services for the purposes of this Act.

15 SECTION 12. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 13. This Act shall take effect on July 1, 2007.



Report Title:

Health Care Services; General Excise Tax

Description:

Earmarks General Excise Taxes generated from health care service providers to support Hawaii's trauma system, health care workforce development, statewide aeromedical evacuation programs, rural hospitals, medical malpractice subsidies for subspecialists, Medicaid reimbursement subsidies for health care providers, Keiki Care Program, and support services for people without health insurance. (HB223 HD1)

