

JAN 19 2007

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# 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 state citizen  
3 to have publicly provided high quality and affordable health  
4 care insurance coverage. Health care is more than just medical  
5 insurance payouts. It includes cost-saving preventive and early  
6 intervention measures to prohibit 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.



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

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

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

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



1           The annual high increase in premium costs translates into  
2 increased employer costs. Under the Prepaid Health Care Act,  
3 private-sector employers are required to pay at least one-half  
4 of health insurance premiums for employees that work twenty  
5 hours or more per week. Public employers generally pay even  
6 more because of their exemption from the Prepaid Health Care Act  
7 and must negotiate with their employees for employer-provided  
8 family health care insurance.

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

16           Even well-insured individuals are experiencing problems  
17 with their health maintenance organizations and insurance  
18 companies denying, or very reluctantly dispensing, expensive  
19 medicines and treatments. About half of all bankruptcies are  
20 due to extremely expensive catastrophic illnesses that are not  
21 covered after a certain cap is reached. Other persons are near  
22 bankruptcy with their quality of life seriously impacted.



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 insurance model with one payout  
4 agency for caregivers and providers. A variation of this very  
5 successful system adapted to meet the unique conditions in  
6 Hawaii would be very beneficial for the following reasons:

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

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

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

20           (4) For the local economy, it means keeping almost all  
21 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, homecare  
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 worries over  
18 health care coverage instability.

19 The purpose of this Act is to create a unified, single-  
20 payer, universal health care system covering all Hawaii  
21 residents, similar to that of Canada's.



1 SECTION 2. The Hawaii Revised Statutes is amended by  
2 adding a new chapter to be appropriately designated and to read  
3 as follows:

4 "CHAPTER

5 SINGLE-PAYER UNIVERSAL HEALTH CARE SYSTEM

6 § -1 Single-payer universal health care insurance  
7 system; established. There is established the single-payer  
8 universal health care insurance system to provide the same high-  
9 quality level of "medically necessary" health care to all Hawaii  
10 citizens. Private health care insurers are prohibited from  
11 duplicating the coverages provided by the single-payer universal  
12 health care insurance system.

13 § -2 State health care insurance planning and financing  
14 authority. (a) There is established within the department of  
15 health, for administrative support purposes, the state health  
16 care insurance planning and financing authority, to determine  
17 the costs of the system, and to gather together the needed  
18 financing methods and transition mechanisms.

19 (b) Effective July 1, 2008, the functions of the state  
20 health planning and development agency shall be transferred to  
21 the state health care insurance planning and financing  
22 authority, as well as the Prepaid Health Care Act functions and



1 the Hawaii employer union health benefits trust fund, and these  
2 functions shall be maintained until the full integration of each  
3 into the system can be completed by the state health care  
4 insurance planning and financing authority.

5 (c) Directors of the authority shall be chosen through  
6 statewide election, be composed of seven voting members, and  
7 meet the same age and residency requirements as candidates for  
8 the state senate. There shall be one executive director member  
9 elected with no requirement. All members shall be elected by  
10 voters statewide for terms of six years each, except that the  
11 terms of the six non-executive director members in the first  
12 election shall be for two, four, and six years, respectively,  
13 with each seat's initial term of two, four, or six years being  
14 determined by lottery conducted by the office of elections.  
15 Three of the non-executive directors shall be residents of the  
16 city and county of Honolulu. Of the other three, one each,  
17 shall be a permanent resident of Hawaii county, Kauai county,  
18 and Maui county, respectively.

19 (d) The state health care insurance planning and financing  
20 authority shall:

21 (1) Start up and maintain a trust fund comprised of a pay-  
22 as-we-go transfer payments system and a reserve fund;



- 1 (2) Negotiate and receive all federal, state, and other  
2 appropriate health care revenue;
- 3 (3) Assess temporary surcharges on the income and general  
4 excise taxes for start-up and for emergency costs as  
5 necessary, for instance, during epidemic or other  
6 medical catastrophe;
- 7 (4) Be the single-payer of universal health care financing  
8 (the one payout agency) for Hawaii;
- 9 (5) Hire a chief executive officer who shall be  
10 accountable for the development and success of the  
11 single-payer universal health care system and other  
12 staff as necessary; and
- 13 (6) Conduct a continuous and ongoing program of  
14 enrollment.

15 (e) The concurrence of a majority of all directors shall  
16 be necessary to make any action of the authority valid.

17 (f) The salary of the executive director shall be  
18 \$ a year and the salaries of the other members shall  
19 be \$ a year."

20 SECTION 3. All rights, powers, functions, and duties of  
21 the state health planning and development agency and the Prepaid  
22 Health Care Act functions of the Hawaii employer-union benefits



1 trust fund are transferred to the state health care insurance  
2 planning and financing authority.

3 All officers and employees whose functions are transferred  
4 by this Act shall be transferred with their functions and shall  
5 continue to perform their regular duties upon their transfer,  
6 subject to the state personnel laws and this Act.

7 No officer or employee of the State having tenure shall  
8 suffer any loss of salary, seniority, prior service credit,  
9 vacation, sick leave, or other employee benefit or privilege as  
10 a consequence of this Act, and such officer or employee may be  
11 transferred or appointed to a civil service position without the  
12 necessity of examination; provided that the officer or employee  
13 possesses the minimum qualifications for the position to which  
14 transferred or appointed; and provided that subsequent changes  
15 in status may be made pursuant to applicable civil service and  
16 compensation laws.

17 An officer or employee of the State who does not have  
18 tenure and who may be transferred or appointed to a civil  
19 service position as a consequence of this Act shall become a  
20 civil service employee without the loss of salary, seniority,  
21 prior service credit, vacation, sick leave, or other employee  
22 benefits or privileges and without the necessity of examination;



1 provided that such officer or employee possesses the minimum  
2 qualifications for the position to which transferred or  
3 appointed.

4 If an office or position held by an officer or employee  
5 having tenure is abolished, the officer or employee shall not  
6 thereby be separated from public employment, but shall remain in  
7 the employment of the State with the same pay and classification  
8 and shall be transferred to some other office or position for  
9 which the officer or employee is eligible under the personnel  
10 laws of the State as determined by the head of the department or  
11 the governor.

12 SECTION 4. All appropriations, records, equipment,  
13 machines, files, supplies, contracts, books, papers, documents,  
14 maps, and other personal property heretofore made, used,  
15 acquired, or held by the department of labor and industrial  
16 relations regarding the Prepaid Health Care Act, the state  
17 health planning and development agency, and the Hawaii employer-  
18 union benefits trust fund relating to the functions transferred  
19 to the department of health shall be transferred with the  
20 functions to which they relate.

21 SECTION 5. There is appropriated out of the general  
22 revenues of the State of Hawaii the sum of \$ , or so



# S.B. NO. 1061

1 much thereof as may be necessary for fiscal year 2007-2008, and  
 2 the same sum, or so much thereof as may be necessary for fiscal  
 3 year 2008-2009, for establishment of the state health care  
 4 insurance planning and financing authority to operate a single-  
 5 payer universal health care insurance system.

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

8 SECTION 6. This Act shall take effect on July 1, 2007.

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**Report Title:**

Universal Health Care; Insurance; Single-Payer

**Description:**

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

