

JAN 19 2012

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# A BILL FOR AN ACT

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RELATING TO MEDICAID.

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

1       SECTION 1. A forty-six year old program, medicaid is a  
2 federal-state partnership that is a cornerstone in Hawaii's  
3 social safety net. The legislature finds, however, that the  
4 economic crisis that began with the recession in 2008 has placed  
5 the integrity of this fundamental program in jeopardy.

6       Currently, states, including Hawaii, see approximately 16  
7 cents of every general fund dollar directed toward covering the  
8 costs of their medicaid programs. It appears likely that the  
9 amount the State will have to spend will continue to increase,  
10 due in large part to the escalating cost of health care. Costs  
11 have already begun to place a strain on the state budget with  
12 the number of residents eligible for medicaid continuing to rise  
13 in response to stagnant economic growth.

14       The legislature further finds that when federal health care  
15 reform takes effect in three years, the budget will face an  
16 additional strain as eligibility rules will change, resulting in  
17 even more medicaid-eligible residents. In addition, the  
18 maintenance of effort provision requires that the State continue



1 to cover anyone who was enrolled in medicaid as of March 2010,  
2 decreasing any flexibility that might be required to contain  
3 costs.

4 However, the legislature further finds that maintaining the  
5 integrity of this critical piece of the social safety net is  
6 paramount to the welfare of the State's most vulnerable  
7 populations. Sixty-seven cents of every dollar spent on  
8 medicaid covers long-term care and services for the elderly and  
9 severely disabled. These groups cannot afford to lose this  
10 level of assistance.

11 Therefore, the purpose of this Act is to provide an  
12 additional dedicated funding stream to support the state's  
13 medicaid program by:

- 14 (1) Creating a medicaid special fund into which a beverage  
15 container surcharge will be deposited;
- 16 (2) Establishing a 0.5 cents deposit beverage container  
17 surcharge to the deposit beverage container fee to be  
18 deposited in the medicaid special fund; and
- 19 (3) Authorizing the department of human services to expend  
20 moneys from the medicaid special fund to cover any  
21 fiscal shortfall in the State's medicaid program.



SECTION 2. Chapter 346, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**"§346- Medicaid special fund.** (a) There is established in the state treasury a medicaid special fund to be administered by the department, into which shall be deposited all revenues from the deposit beverage container surcharge pursuant to section 342G-102(e). All interest earned or accrued on moneys deposited in the medicaid special fund shall become a part of the medicaid special fund.

(b) Moneys in the medicaid special fund shall be used to cover any shortfall in the state's medicaid program, including provider payments, fee-for-service payments, and administrative costs; provided that up to ten per cent of the moneys in the medicaid special fund may be used by the department to reimburse the department of health for administrative costs associated with collecting the deposit beverage container surcharge. Appropriations or authorizations from the medicaid special fund shall be expended by the director."

SECTION 3. Section 235-18, Hawaii Revised Statutes, is amended to read as follows:



1        "[+]§235-18[+]    **Deposit beverage container deposit and**  
2    **surcharge exemption.**    This chapter shall not apply to amounts  
3    received as a deposit beverage container deposit or surcharge  
4    collected under part VIII of chapter 342G."

5        SECTION 4.    Section 237-24.75, Hawaii Revised Statutes, is  
6    amended to read as follows:

7        "**§237-24.75    Additional exemptions.**    In addition to the  
8    amounts exempt under section 237-24, this chapter shall not  
9    apply to:

- 10        (1)    Amounts received as a beverage container deposit or  
11        surcharge collected under chapter 342G, part VIII;
- 12        (2)    Amounts received by the operator of the Hawaii  
13        convention center for reimbursement of costs or  
14        advances made pursuant to a contract with the Hawaii  
15        tourism authority under section 201B-7[+]; and[+]
- 16        +(3)    Amounts received[+] by a professional employment  
17        organization from a client company equal to amounts  
18        that are disbursed by the professional employment  
19        organization for employee wages, salaries, payroll  
20        taxes, insurance premiums, and benefits, including  
21        retirement, vacation, sick leave, health benefits, and  
22        similar employment benefits with respect to assigned



1 employees at a client company; provided that this  
2 exemption shall not apply to a professional employment  
3 organization upon failure of the professional  
4 employment organization to collect, account for, and  
5 pay over any income tax withholding for assigned  
6 employees or any federal or state taxes for which the  
7 professional employment organization is responsible.  
8 As used in this paragraph, "professional employment  
9 organization", "client company", and "assigned  
10 employee" shall have the meanings provided in section  
11 373K-1."

12 SECTION 5. Section 342G-102, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 **"§342G-102 Deposit beverage container fee[-] and**  
15 **surcharge.** (a) Beginning on October 1, 2002, every deposit  
16 beverage distributor shall pay to the department a deposit  
17 beverage container fee on each polyethylene terephthalate, high  
18 density polyethylene, or metal deposit beverage container  
19 manufactured in or imported into the State. The fee shall be  
20 imposed only once on the same deposit beverage container. The  
21 fee shall be 0.5 cents per deposit beverage container.



1 (b) Beginning on October 1, 2004, every deposit beverage  
2 distributor shall pay to the department a deposit beverage  
3 container fee on each deposit beverage container manufactured in  
4 or imported into the State. The deposit beverage container fee  
5 shall not apply to deposit beverage containers exported for sale  
6 outside of the State. The fee shall be imposed only once on the  
7 same deposit beverage container. The fee shall be 1 cent per  
8 deposit beverage container.

9 (c) No county shall impose or collect any assessment [~~or~~  
10 fee], fee, or surcharge on deposit beverage containers for the  
11 same or similar purpose that is the subject of this chapter.

12 (d) Beginning January 1, 2005, and every August 1  
13 thereafter, the department shall notify deposit beverage  
14 distributors in writing of the amount of the deposit beverage  
15 container fee. The effective date of changes to the fee amount  
16 shall be September 1. The fee shall be based on the redemption  
17 rate calculated annually based on the redemption rate  
18 information submitted to the department for the previous period  
19 of July 1 through June 30. The fee amount shall be as follows:

20 (1) If the redemption rate is seventy per cent or less: 1  
21 cent per container; and



(2) If the redemption rate is greater than seventy per cent: 1.5 cents per container.

(e) Beginning September 1, 2012, there shall be added to the fee assessed in this section, a deposit beverage container surcharge, to be deposited into the medicaid special fund established under section 346- . The surcharge shall be imposed only once on the same deposit beverage container. The surcharge shall be 0.5 cents per deposit beverage container.

~~[(e)]~~ (f) The director may temporarily suspend an automatic increase of the deposit beverage container fee if, after consultation with the auditor, it is determined that the deposit beverage container deposit special fund contains sufficient funds for the purposes of section 342G-104(b)."

SECTION 6. Section 342G-104, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) There is established in the state treasury the deposit beverage container deposit special fund, into which shall be deposited:

(1) All revenues generated from the deposit beverage container fee as described under sections 342G-102 and 342G-105~~+~~, except for the surcharge as described under 342G-102;



(2) All revenues generated from the deposit beverage container deposit as described under sections 342G-105 and 342G-110; and

(3) All accrued interest from the fund."

SECTION 7. Section 342G-105, Hawaii Revised Statutes, is amended to read as follows:

**"§342G-105 Deposit beverage container inventory report and payment.** (a) Payment of the deposit beverage container fee and surcharge as described in section 342G-102, and deposits as described in section 342G-110, shall be made monthly based on inventory reports of the deposit beverage distributors. All deposit beverage distributors shall submit to the department documentation in sufficient detail that identifies the net number of deposit beverage containers sold, donated, or transferred, by container size and type.

(b) The amount due from deposit beverage distributors shall be the net number of deposit beverage containers sold, donated, or transferred multiplied by the sum of the prevailing deposit beverage container fee [~~and~~], the refund value of 5 cents[~~-~~], and the surcharge of 0.5 cents. Payment shall be made by check or money order payable to the "Department of Health, State of Hawaii". All inventory reports and payments shall be





1 made no later than the fifteenth day of the month following the  
2 end of the payment period of the previous month."

3 SECTION 8. Section 342G-111, Hawaii Revised Statutes, is  
4 amended as follows:

5 1. By amending subsection (d) to read:

6 "(d) Payment of the deposit beverage container fee [~~and~~],  
7 and surcharge as described in section 342G-102 and deposits as  
8 described in section 342G-110, shall be made monthly based on  
9 reports of the deposit beverage distributors under subsection  
10 (c)."

11 2. By amending subsection (f) to read:

12 "(f) The amount due from a deposit beverage distributor  
13 shall be the net number of deposit beverage containers sold  
14 multiplied by the sum of the prevailing deposit beverage  
15 container fee [~~and~~], the deposit value of 5 cents[~~-~~], and the  
16 surcharge of 0.5 cents. Payment shall be made by check or money  
17 order payable to the "Department of Health, State of Hawaii".  
18 All reports and payments shall be made no later than the  
19 fifteenth day of the month following the end of the previous  
20 payment period."

21 SECTION 9. The department of human services shall submit a  
22 report to the legislature detailing the implementation and use



1 of the deposit beverage container surcharge, detailing all  
2 expenditures made from the medicaid special fund, and including  
3 any proposed legislation, no later than twenty days prior to the  
4 convening of the regular sessions of 2013 and 2014.

5 SECTION 10. Any fund balance remaining unencumbered and  
6 unexpended as of June 30, 2014, in the medicaid special fund  
7 shall be transferred to the credit of the state general fund.

8 SECTION 11. Statutory material to be repealed is bracketed  
9 and stricken. New statutory material is underscored.

10 SECTION 12. This Act shall take effect on July 1, 2012,  
11 and shall be repealed on June 30, 2014; provided that sections  
12 235-18, 237-24.75, 342G-102, 342G-104, 342G-105, and 342G-111,  
13 Hawaii Revised Statutes, shall be reenacted in the forms in which  
14 they read on the day prior to the effective date of this Act.

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INTRODUCED BY: Elizabeth Chun Olanoff  
By Request



# S.B. NO. 2139

**Report Title:**

Medicaid; Deposit Beverage Containers; Surcharge

**Description:**

Creates a medicaid special fund to fund any shortfall in the State's medicaid program. Establishes a 0.5 cents deposit beverage container surcharge to be deposited into the medicaid special fund.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

