
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 employer-
3 union health benefits trust fund and medicaid beneficiary to
4 have publicly provided, high-quality, and affordable health
5 care. Health care involves more than just medical insurance
6 payouts. It includes cost-saving preventive and early
7 intervention measures, dental coverage, and mental illness
8 treatment to prevent medical conditions from becoming chronic,
9 permanently disabling, or fatal.

10 The legislature further finds that under Hawaii's current
11 health care insurance system, health insurance companies have
12 used their unilateral control over how health care is organized
13 and paid for to erect obstacles to care for patients, through
14 excessive prior authorizations, formulary restrictions, and
15 networks with limited physician participation. This system also
16 burdens physicians and hospitals with administrative demands
17 such as pay for performance, pay for documentation, and



1 capitation, all of which require much more detailed
2 documentation and data reporting) while controlling and
3 restricting payment for primary care in particular. All of
4 these things are driving Hawaii physicians out of practice or to
5 leave the State.

6 Furthermore, health care rates are skyrocketing, creating
7 an affordability and accessibility crisis for Hawaii's
8 residents. The two largest cost drivers of health care in the
9 United States and Hawaii are:

- 10 (1) The profit-driven complex of payment-reluctant, multi-
11 payer health insurance bureaucracies competing to
12 insure only the healthy and the wealthy, while leaving
13 the individuals who need health care the most to be
14 supported by taxpayers; and
15 (2) The high cost of prescription drugs.

16 The legislature further finds that for more than a quarter
17 of a century, Hawaii was far ahead of most other states and
18 often called itself the "health state" because of the Hawaii
19 Prepaid Health Care Act of 1974. Hawaii was once known for
20 having a low percentage of residents without health insurance --
21 between two and five per cent in 1994.



1 However, the crisis in health care in the United States has
2 also befallen Hawaii. Today, thousands of Hawaii residents,
3 many of whom are children, lack health care coverage. Many
4 other Hawaii residents are underinsured, unable to use their
5 insurance properly or even at all, because of increasingly
6 expensive deductibles and out-of-pocket co-payments for
7 outpatient visits, diagnostic tests, and prescription drugs,
8 among other things. Even well-insured individuals experience
9 problems with their insurers denying, or very reluctantly
10 dispensing, expensive medicines and treatments. About half of
11 all bankruptcies are due to extremely expensive, catastrophic
12 illnesses that are not covered after a certain cap is reached.
13 Other persons are on the verge of bankruptcy, and their quality
14 of life is seriously affected.

15 In addition, the legislature finds that a publicly
16 administered, self-insured employer-union health benefits trust
17 fund and medicaid health insurance model with one payout agency
18 for caregivers and providers, adapted to meet the unique
19 conditions in Hawaii, would be the most cost-effective form of
20 health insurance for employer-union health benefits trust fund
21 and medicaid beneficiaries. A self-insured employer-union



1 health benefits trust fund and medicaid health insurance system
2 would be beneficial for the following reasons:

- 3 (1) For state and county union members and their
4 dependents, as well as their employers, it means
5 assuring health care while removing or greatly
6 simplifying negotiation of health benefits and
7 reducing their cost;
- 8 (2) For medicaid beneficiaries and for taxpayers, it means
9 improved access to care, significant reductions in
10 overall costs, increases in benefits, and the slowing
11 of annual inflation cost increases. It also means a
12 return from increasingly-uncaring, profit-driven
13 health care to the restoration of human-need-driven,
14 mutually respectful, and caring patient-doctor-nurse-
15 and other caregiver relationships, which in earlier
16 times were fundamental to meaningful health care;
- 17 (3) For the local economy, it means keeping almost all
18 health care dollars in the State;
- 19 (4) For government, it means having one integrated,
20 electronic, health information database for
21 unprecedented planning and cost-containment



1 capabilities. It also means relief from the perceived
2 emerging problem of unfunded liabilities associated
3 with long-term funding of government retiree health
4 care benefits;

5 (5) For physicians, nurses, and other caregivers, it means
6 less paperwork, less work-related stress, and more
7 time to take care of patients covered by the employer-
8 union health benefits trust fund and medicaid;

9 (6) For hospitals, community health clinics, homecare
10 providers, and long-term care facilities, it means
11 sufficient and dependable annual financing through
12 global budgets; and

13 (7) For medicaid beneficiaries, it means accessible and
14 affordable health care and relief from the increasing
15 and constant worries concerning health care coverage
16 instability.

17 The purpose of this Act is to require the employer-union
18 health benefits trust fund and medicaid to work with the Hawaii
19 health authority to design self-insured health benefits programs
20 that are as consistent and as closely aligned as possible, using



1 non-risk administrative services only contracts for necessary
2 administrative functions.

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

6 "CHAPTER

7 HAWAII SELF-INSURED HEALTH CARE SYSTEM

8 § -1 Hawaii self-insured health care system;
9 established. There is established the Hawaii self-insured
10 health care system to provide the same high-quality level of
11 medically necessary health care to all employer-union health
12 benefits trust fund and medicaid beneficiaries.

13 The purpose of this chapter is to require the employer-
14 union health benefits trust fund and medicaid to work with the
15 Hawaii health authority to design self-insured health benefits
16 programs that are as consistent and as closely aligned as
17 possible, using non-risk administrative services only contracts
18 for necessary administrative functions.

19 § -2 Hawaii health authority; employer-union health
20 benefits trust fund; department of human services. (a) The
21 employer-union health benefits trust fund and medicaid division



1 of the department of human services shall collaborate to design
2 and implement self-insured health care programs with consistent
3 features approved by the Hawaii health authority and supported
4 by non-risk administrative services only contracts for necessary
5 administrative functions, including claims processing,
6 credentialing, and administrative support for quality
7 improvement.

8 (b) The Hawaii health authority, employer-union health
9 benefits trust fund, and medicaid division of the department of
10 human services shall retain responsibility for the design of the
11 health care system, including:

- 12 (1) Determining fees and payment systems for hospitals,
13 institutional providers of care, physicians, and other
14 health care professionals;
- 15 (2) Setting prior authorization policies;
- 16 (3) Determining formularies; and
- 17 (4) Designing quality improvement programs and incentives.

18 These functions shall not be delegated through non-risk
19 administrative services only contracts.

20 (c) The department of human services shall not execute any
21 contract for medicaid services, unless such services shall be



1 pursuant to a primary care case management model with a non-risk
2 administrative services only contract for necessary
3 administrative functions. As used in this subsection, "primary
4 care case management model" means a system of health care in
5 which a primary care provider is paid a monthly case management
6 fee to assume responsibility for care management and
7 coordination of an enrolled medicaid beneficiary.

8 (d) It shall be an impermissible conflict of interest for
9 an entity simultaneously to:

10 (1) Have administrative authority over an employer-union
11 health benefits trust fund or medicaid contract; and

12 (2) Serve as a medical services provider under such
13 employer-union health benefits trust fund or medicaid
14 contract.

15 The department of human services shall not execute contracts for
16 medical services provided through a managed care organization."

17 SECTION 3. Chapter 322H, Hawaii Revised Statutes, is
18 amended by adding a new section to be appropriately designated
19 and to read as follows:

20 "§322H- Executive director. The Hawaii health
21 authority shall be authorized to employ an executive director,



1 at a salary not to exceed \$ _____ per year. The executive
2 director shall be exempt from chapter 76 and serve under and at
3 the pleasure of the authority."

4 SECTION 4. Section 322H-2, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "**§322H-2 Hawaii health authority; duties and**
7 **responsibilities.** (a) The authority shall be responsible for
8 overall health planning for the State and shall be responsible
9 for determining future capacity needs for health providers,
10 facilities, equipment, and support services providers.

11 (b) The authority shall develop a comprehensive health
12 plan that includes:

13 (1) Establishment of eligibility for inclusion in a health
14 plan for all individuals;

15 (2) Determination of all reimbursable services to be paid
16 by the authority;

17 (3) Determination of all approved providers of services in
18 a health plan for all individuals;

19 (4) Evaluation of health care and cost effectiveness of
20 all aspects of a health plan for all individuals; and



1 (5) Establishment of a budget for a health plan for all
2 individuals in the State.

3 (c) The authority shall determine the waivers that are
4 necessary and available by federal law, rule, or regulation
5 necessary to implement and maintain this chapter.

6 (d) The authority shall adopt rules pursuant to chapter 91
7 necessary for the purposes of this chapter.

8 (e) The authority shall submit a comprehensive health plan
9 for all individuals in the State, including its findings and
10 recommendations, to the legislature no later than twenty days
11 prior to the convening of the regular session of 2012.

12 (f) Pursuant to chapter , the authority shall work with
13 the employer-union health benefits trust fund and medicaid
14 division of the department of human services to design self-
15 insured health benefits programs that are as consistent and as
16 closely aligned as possible, using non-risk administrative
17 services only contracts for necessary administrative functions."

18 SECTION 5. There is appropriated out of the employer-union
19 health benefits trust fund the sum of \$ or so much
20 thereof as may be necessary for fiscal year 2021-2022 and the
21 same sum or so much thereof as may be necessary for fiscal year



H.B. NO. 1285

Report Title:

Hawaii Self-insured Health Care System; Hawaii Health Authority;
EUTF; Medicaid

Description:

Establishes the Hawaii self-insured health care system, to be developed by the Hawaii health authority, EUTF, and medicaid. Effective 5/1/2021.

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

