

MAR 11 2022

SENATE RESOLUTION

REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A
FINANCIAL ANALYSIS OF THE MANAGED CARE ORGANIZATIONS THAT
ADMINISTER THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND BY
AUDITING THE AMOUNTS PAID FOR HEALTH CARE AND AMOUNTS PAID
FOR ADMINISTRATIVE SERVICES.

1 WHEREAS, Hawaii has long been a leader in advancing medical
2 services and health care, advocating the importance of access to
3 health care without discrimination, and implementing forward-
4 thinking health care policies, such as the Prepaid Health Care
5 Act of 1974; and

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7 WHEREAS, it is in the best interest of the State for every
8 Employer-Union Health Benefits Trust Fund beneficiary to have
9 publicly provided, high-quality, and affordable health care; and

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11 WHEREAS, health care involves more than just medical
12 insurance payouts and also includes cost-saving preventive and
13 early intervention measures, dental coverage, and mental illness
14 treatment to prevent medical health conditions from becoming
15 chronic, permanently disabling, or fatal; and

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17 WHEREAS, under Hawaii's existing health care insurance
18 system, health insurance companies have used their unilateral
19 control over how health care is organized and paid for to erect
20 obstacles to care for patients through excessive prior
21 authorizations, formulary restrictions, and networks with
22 limited physician participation; and

23
24 WHEREAS, this system also burdens physicians and hospitals
25 with administrative demands, such as pay for performance, pay
26 for documentation, and capitation, all of which require much
27 more detailed documentation and data reporting while controlling
28 and restricting payment for primary care in particular, which
29 results in physicians being driven out of practice or leaving
30 the State; and



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2 WHEREAS, health care rates are skyrocketing, creating an
3 affordability and accessibility crisis for Hawaii's residents;
4 and

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6 WHEREAS, the two largest cost drivers of health care in the
7 United States and Hawaii are:

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9 (1) High administrative costs due to reliance on a
10 competitive insurance business model that incentivizes
11 denial and obstruction of care, micromanagement of
12 doctors and hospitals, and attempts to avoid covering
13 or paying for sicker and socially disadvantaged
14 patients and populations, resulting in disparities in
15 access to care; and

16
17 (2) The high cost of prescription drugs; and

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19 WHEREAS, for more than a quarter of a century, Hawaii was
20 far ahead of most other states, often calling itself the "Health
21 State" because of the Hawaii Prepaid Health Care Act of 1974,
22 and was once known for having a low percentage of residents
23 without health insurance, which was between two and five percent
24 in 1994; and

25
26 WHEREAS, as a result of the coronavirus disease 2019
27 pandemic, thousands of Hawaii residents have lost their jobs and
28 health insurance, making it critical for the State to support
29 struggling families by ensuring preventive care and limiting
30 out-of-pocket costs; and

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32 WHEREAS, the safeguarding of access to health care,
33 solidification of the essential health benefits that have
34 changed thousands of lives, and improvement of overall access to
35 care requires the preservation of certain important aspects of
36 the federal Patient Protection and Affordable Care Act and the
37 expansion of access to care for residents of Hawaii; and

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39 WHEREAS, negotiations between the health insurance industry
40 and the Obama Administration in 2011 allowed health insurance
41 plans to reclassify "medical management" costs as health care
42 instead of administrative costs for the purposes of reporting



1 medical loss ratios, enabling large administrative costs to be
2 hidden; now, therefore,

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4 BE IT RESOLVED by the Senate of the Thirty-first
5 Legislature of the State of Hawaii, Regular Session of 2022,
6 that the Legislative Reference Bureau is requested to conduct a
7 financial analysis of the managed care organizations that
8 administer the Employer-Union Health Benefits Trust Fund by
9 auditing the amounts paid for health care and amounts paid for
10 administrative services; and

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12 BE IT FURTHER RESOLVED that in its financial analysis, the
13 Legislature Reference Bureau is requested to:

- 14
15 (1) Conduct an analysis of the effects of payment reforms
16 and payment of primary care physicians with capitation
17 on practice administrative costs and burdens and their
18 contributions to Hawaii's physician shortage;
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20 (2) Analyze "medical management" administrative costs and
21 the administrative cost of payment reforms from
22 payments to providers for provision of health care;
23 and
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25 (3) Investigate other issues it deems relevant; and
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27 BE IT FURTHER RESOLVED that the Legislative Reference
28 Bureau is requested to submit a report of its findings and
29 recommendations, including any proposed legislation, to the
30 Legislature no later than twenty days prior to the convening of
31 the Regular Session of 2023; and
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33 BE IT FURTHER RESOLVED that certified copies of this
34 Resolution be transmitted to the Director of the Legislative
35 Reference Bureau and Administrator of the Hawaii Employer-Union
36 Health Benefits Trust Fund.
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OFFERED BY: 

