

JAN 17 2025

A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1 PART I

2 SECTION 1. The legislature finds that the delivery of
3 health care services in the State has approached crisis levels.
4 Many physicians and other health care providers are leaving
5 Hawaii, and the level of health care services on the neighbor
6 islands in particular is seriously deficient.

7 The legislature further finds that, even with the 1974
8 Hawaii Prepaid Health Care Act that mandates employers provide
9 health insurance for employees working at least nineteen hours
10 per week, and even with the extensions of medicaid to larger
11 populations in the State and the increase of commercial health
12 insurance coverage created by the federal Patient Protection and
13 Affordable Care Act (PPACA), there remain a substantial number
14 of uninsured or underinsured individuals. Additionally, the
15 linkage of health insurance to employment status, which many
16 years ago was an employment benefit, has now become a serious
17 impediment to employee mobility. A substantial number of people



1 feel financially compelled to remain in unsatisfactory
2 employment situations to protect their access to health
3 insurance and therefore to health care.

4 The legislature finds that it is in the best interest of
5 the State for each and every state citizen to have publicly
6 provided, high quality, affordable health care. Health care is
7 more than just medical insurance payouts. It includes cost-
8 saving, preventive, and early intervention measures to prevent
9 medical conditions from becoming chronic, permanently disabling,
10 or fatal and includes proven secondary and tertiary prevention
11 strategies and interventions to maintain the health and quality
12 of life of those who are burdened with serious chronic diseases.

13 The legislature additionally finds that Hawaii's current
14 health care insurance system is a disjointed, costly,
15 inefficient, and unnecessarily complicated, multi-payer, private
16 medical insurance model that is largely profit-driven,
17 adversarial, beset with constant cost-shifting and reluctant
18 health care delivery, onerously bureaucratic, and economically
19 irrational. Additionally, health care costs are skyrocketing,
20 creating an affordability and accessibility crisis for Hawaii's



1 residents. The three largest cost-drivers of health care in the
2 United States in general and in Hawaii in particular are:

3 (1) The administrative cost of a profit-driven complex of
4 payment-reluctant, multi-payer health insurance
5 bureaucracies competing to insure the healthy, while
6 leaving those who need health care the most to the
7 taxpayers, or competing to siphon money out of the
8 state medicaid budget while beneficiary access to care
9 deteriorates and costs rise;

10 (2) Lack of access to cost-effective primary care for
11 large segments of the population; and

12 (3) The high cost of prescription drugs.

13 The legislature further finds that for more than a quarter
14 of a century, Hawaii was far ahead of most other states and
15 often called itself "the health state" because of the 1974
16 Hawaii Prepaid Health Care Act. Hawaii was once known for
17 having a low uninsured population of between two and five per
18 cent in 1994. Hawaii had the lowest per-capita medicare
19 spending in the country in 2008-2009, prior to the PPACA when
20 almost all Hawaii providers of care were paid with fee-for-



1 service. Ten years later Hawaii had climbed to ninth lowest
2 per-capita medicare spending and rising.

3 However, the crisis in health care in the United States has
4 also befallen Hawaii. Today, thousands of Hawaii citizens lack
5 health care coverage, many of whom are children. Many other
6 Hawaii residents are underinsured or unable to use or access
7 their covered benefits because of increasingly expensive
8 deductibles and out-of-pocket co-payments for outpatient visits,
9 diagnostic tests, and prescription drugs, among other factors.
10 Even well-insured individuals experience problems with their
11 insurers denying, or very reluctantly dispensing, expensive
12 medicines and treatments. About half of all bankruptcies are
13 due to extremely expensive, catastrophic illnesses that are not
14 covered after a certain cap is reached. Other persons are near
15 bankruptcy with their quality of life seriously impacted. And
16 even with health insurance, Hawaii residents are experiencing
17 increasing difficulty finding doctors when they need them on all
18 islands, but especially on the neighbor islands.

19 The legislature therefore concludes that a universal,
20 publicly administered, health care-for-all insurance model with
21 one payout agency for caregivers and providers, adapted to meet



1 the unique conditions in Hawaii, would be beneficial across all
2 sectors in the State. A single payer system would remove health
3 care as a factor in labor negotiations; reduce overall costs and
4 generate savings for patients; streamline processes for health
5 care providers; reduce overhead expenses for businesses; create
6 a single, centralized health information database for all
7 residents in Hawaii, allowing for more informed decision making
8 regarding health crises in the State; create an equitable
9 allocation of public health resources and provide for a needs-
10 based expansion of health care facilities; reduce billing and
11 collections costs for hospitals and independent health care
12 providers; and eliminate profit-based decision making in the
13 provision of health care services.

14 Accordingly, the legislature concludes that Hawaii should
15 take substantial steps toward the establishment of universal
16 health care for the residents of the State and to encourage, as
17 much as practical, reduction of administrative complexity in the
18 compensation of the State's hospitals and other institutional
19 providers of care, and of physicians and other workers in the
20 health care field. This should be accomplished by the creation
21 of a publicly financed health care program, to be known as



1 "malama care", for all Hawaii residents and which shall replace
2 all existing health care systems in the State once the
3 appropriate federal waivers are obtained, including medicare,
4 Medicaid, and the prepaid health care act.

5 The purpose of this Act is to initiate the implementation
6 of malama care by:

7 (1) Requiring the Hawaii health authority to develop a
8 universal, single payer health care plan to be
9 implemented as malama care;

10 (2) Establishing malama care; and

11 (3) Appropriating funds.

12 PART II

13 SECTION 2. Chapter 322H, Hawaii Revised Statutes, is
14 amended by adding a new part to be appropriately designated and
15 to read as follows:

16 **"PART . MALAMA CARE**

17 **§322H-A Definitions.** For the purposes of this part:

18 "Malama care" means a universal, single payer health care
19 system to provide comprehensive health care benefits to all
20 residents of the State.



1 "Resident" means an individual who is or intends to be
2 domiciled in the State.

3 **§322H-B Hawaii health authority; malama care; duties and**
4 **responsibilities; benefits.** (a) The authority shall be
5 responsible for the overall planning and implementation of
6 malama care.

7 (b) The authority shall develop a comprehensive universal,
8 single payer health plan that includes:

9 (1) Establishment of eligibility for inclusion in a
10 universal, single payer health care system for all
11 residents of the State;

12 (2) Determination of the sequencing and financing
13 requirements for a universal, single payer health care
14 system;

15 (3) Determination of the cost for providing a benefits
16 package to all residents of the State that includes
17 all mandatory health care benefits pursuant to
18 section -4;

19 (4) Recommendation if a benefits package established
20 pursuant to paragraph (3) should include



1 rehabilitation services in a skill nursing facility
2 and long-term care in a skilled nursing facility;

3 (5) Evaluation of health care and cost effectiveness of
4 all aspects of a universal, single payer health plan
5 for all individuals;

6 (6) Establishment of a budget for a universal, single
7 payer health plan for all residents of the State; and

8 (7) Establishment of a budget for all hospitals operating
9 under malama care in the State.

10 (c) The authority shall determine the waivers that are
11 necessary and available by federal law, rule, or regulation
12 necessary to implement and maintain this part.

13 (d) The authority shall adopt rules pursuant to chapter 91
14 necessary for the purposes of this part.

15 (e) The authority may establish any subcommittees
16 necessary for the purposes of this section.

17 **§322H-C Business plan.** (a) The authority shall develop a
18 comprehensive business plan to govern and manage the steps
19 necessary to establish malama care. The business plan shall
20 include fiscal projections of revenues and expenses over a five-
21 year period for a public-private universal health care system



1 providing benefits as establish pursuant to section 322H-A with
2 an actuarial value of ninety-five per cent when fully
3 implemented. The business plan shall include mechanisms for
4 funding malama care, including any proposed income tax or
5 surcharge.

6 **§322H-D Malama care; goals; values.** The authority shall
7 ensure that any plan established pursuant to section 322H-B
8 shall be based on the following principles:

9 (1) Health care, as a fundamental right for all residents
10 of the State, is to be secured for all individuals on
11 an equitable basis by public means, similar to public
12 education, public safety, and other public
13 infrastructure;

14 (2) Access to health care services shall be based on each
15 individual's need and shall not be restricted based on
16 race, sex, sexual orientation, gender identity or
17 expression, religion, national origin, citizenship
18 status, age, pregnancy and related medical conditions,
19 disability, wealth, income, genetic conditions,
20 primary language use, or previous or existing medical
21 conditions; and



(3) The components of the health care system shall be accountable and fully transparent to the public with regards to information, decision making, and management to ensure meaningful public participation in decisions affecting the public's health care.

§322H-E Research. The authority shall conduct research on the following to prepare for adoption of a universal, single payer health plan for all individuals in the State:

(1) The causes, consequences, and means to mitigate health care provider burn-out in the State;

(2) Current compensation practices adopted by health insurers, mutual benefit societies, and health maintenance organizations operating in the State; and

(3) Any other current financial practices relating to health care.

§322H-F Reporting requirements. Beginning with the regular session of 2026, the authority shall submit an annual report to the legislature no later than twenty days prior to the convening of each regular session. The report shall include:

(1) Progress on the implementation of malama care;

(2) The business plan required by section 322H-C;



- 1 (3) Any findings and recommendations based on research
2 conducted pursuant to section 322H-E; and
3 (4) Any other findings, recommendations, or proposed
4 legislation, including proposed legislation for the
5 repeal of the prepaid health care act and Hawaii
6 health systems corporation, that the authority deems
7 relevant for the implementation of malama care."

8 SECTION 3. Chapter 322H, Hawaii Revised Statutes, is
9 amended by designating sections 322H-1 and 322H-2 as part I and
10 inserting a title before section 322H-1 to read as follows:

11 **"PART I. GENERAL PROVISIONS"**

12 PART III

13 SECTION 4. The Hawaii Revised Statutes is amended by
14 adding a new chapter to be appropriately designated and to read
15 as follows:

16 **"CHAPTER**

17 **MALAMA CARE**

18 § -1 **Definitions.** For the purposes of this chapter:

19 "Authority" means the Hawaii health authority established
20 pursuant to chapter 322H.



1 "Cost sharing" means copayment, coinsurance, or deductible
2 provisions applicable to coverage for medications and treatment.

3 "Health care facility" means an institution providing
4 health care services or a health care setting, including but not
5 limited to hospitals and other licensed inpatient centers;
6 ambulatory surgical or treatment centers; skilled nursing
7 centers; residential treatment centers; diagnostic, laboratory,
8 and imaging centers; and rehabilitation and other therapeutic
9 health settings.

10 "Health care provider" means an individual licensed,
11 accredited, or certified to provide or perform specified health
12 care services in the ordinary course of business or practice of
13 a profession consistent with state law.

14 "Hospital" means a facility licensed under section 321-
15 14.5.

16 "Resident" means an individual who is or intends to be
17 permanently domiciled in the State.

18 "Supplemental health insurance" means insurance provided by
19 a health insurer regulated under article 10A of chapter 431;
20 mutual benefit society regulated under article 1 of chapter 432;



1 health maintenance organization regulated under chapter 432D; or
2 through the TRICARE program.

3 § -2 Malama care; established; administration;

4 solicitation of bids. (a) There is established a universal,
5 single payer health care system, to be known as malama care and
6 to be administered by the Hawaii health authority.

7 (b) The authority may, subject to the requirements of
8 chapter 103D, solicit bids from and award contracts to public or
9 private entities for the administration of malama care including
10 but not limited to:

- 11 (1) Claims administration;
- 12 (2) Quality assurance;
- 13 (3) Credentialing;
- 14 (4) Provider relations; and
- 15 (5) Customer service.

16 (c) The authority shall ensure than any entity awarded a
17 contract pursuant to this section does not have a financial
18 incentive to restrict individuals' access to health care.

19 (d) The authority may establish performance measures and
20 provide incentives for contractors to provide timely, accurate,
21 and transparent services to enrollees and health care providers.



1 § -3 **Malama care special fund.** (a) There is
2 established in the state treasury a malama care special fund, to
3 be administered and expended by the authority.

4 (b) The following shall be deposited into the special
5 fund:

6 (1) Appropriations by the legislature;

7 (2) Gifts, donations, and grants from any private
8 individuals or organizations; and

9 (3) Federal funds granted by Congress or executive order
10 for the purpose of this chapter.

11 (c) The malama care special fund shall be used solely for
12 expenses incurred in the execution of malama care, including but
13 not limited to:

14 (1) Salaries and overhead;

15 (2) Payments to third party contractors contracted to
16 administer portions of malama care;

17 (3) Reimbursements to health care providers, health care
18 facilities, and hospitals for health care services
19 rendered to residents of the State that are covered by
20 malama care; and

21 (4) Capital improvement projects.



(d) The authority shall establish a subaccount within the malama care special fund for community-based specialized services for patient with complex or highly specialized care needs. The authority may establish additional subaccounts within the fund as necessary.

(e) All unencumbered and unexpended moneys in excess of \$ remaining on balance in the malama care special fund at the close of June 30 of each year shall lapse to the credit of the state general fund.

(f) The authority shall submit a report to the legislature, no later than twenty days prior to the convening of each regular session, providing an accounting of the receipts and expenditures of the fund.

§ -4 Mandatory health care benefits; electronic

insurance card. (a) Without limiting the development of medically more desirable combinations and the inclusion of new types of benefits, malama care shall cover at least the following benefits:

(1) Hospital benefits;

(2) Surgical benefits;

(3) Medical benefits, including:



- 1 (A) Primary care;
- 2 (B) Preventive care;
- 3 (C) Acute episodic care; and
- 4 (D) Chronic disease care;
- 5 (4) Diagnostic laboratory services, x-ray films, and
- 6 radio-therapeutic services, necessary for diagnosis or
- 7 treatment of injuries or diseases;
- 8 (5) Prenatal, maternal, and neonatal care;
- 9 (6) Substance abuse benefits;
- 10 (7) Psychiatric and mental health benefits;
- 11 (8) Emergency services, including ambulance coverage;
- 12 (9) Durable medical equipment and prostheses;
- 13 (10) Dental benefits, including:
 - 14 (A) Prophylactic dental care, including no less than
 - 15 two cleaning visits and two dental examinations
 - 16 per year;
 - 17 (B) Filling of cavities, provision of root canals,
 - 18 and tooth extractions, as necessary; and
 - 19 (C) Dental x-rays;
- 20 (11) Vision benefits, including:
 - 21 (A) No less than one examination per year;



(B) Screening for glaucoma and macular disease;

(C) Provision of a basic pair of corrective glasses
at least once every two years; and

(D) Any medically necessary surgeries to address
ocular diseases;

(12) Hearing benefits, including:

(A) An examination no less than once per year; and

(B) Hearing aids, if necessary;

(13) Physical therapy;

(14) Pharmacy benefits, including prescription drug
coverage;

(15) Standard diagnostic screenings, including mammography,
colonoscopy, blood glucose, blood cholesterol, bone
density, and hearing testing; and

(16) Vaccines recommended by the Centers for Disease
Control and Prevention.

(b) The authority shall issue each resident of the State
an electronic insurance card, which shall serve as proof that
the cardholder is covered by malama care.

(c) Pharmacy benefits shall be provided in accordance with
a comprehensive formulary to be determined by the authority;



1 provide that prescription drug coverage shall be consistent with
2 pharmacy best practices for standards and procedures and cost
3 controls.

4 (d) Except as otherwise provided, the benefits required by
5 this chapter shall be provided without cost sharing to persons
6 covered by malama care, including benefits provided by out-of-
7 state health care providers to residents who are temporarily out
8 of State.

9 (e) Nothing in this chapter shall be construed to require
10 malama care to cover any benefit in excess of those required by
11 this section that is not deemed medically necessary.

12 § -5 **Network adequacy.** The authority shall maintain a
13 robust and adequate network of health care providers located in
14 the State or regularly serving residents.

15 § -6 **Hospitals; budgets; payments; operations.** (a)
16 Each hospital operating in the State shall be funded by a global
17 budget, to be determined for each hospital by the authority and
18 to be based on the cost of operations for services provided by
19 each individual hospital. Hospital operating budgets shall not
20 be based on fee-for-service billings and collections or payment
21 through capitation.



1 (b) Any funds from a hospital's operating budget that are
2 unexpended or unencumbered by July 30 of each year shall be
3 applied to the hospital's budget for the following fiscal year.

4 (c) Each hospital may elect to include an associated group
5 practice, including physicians and other licensed health care
6 providers, under the hospital's global operating budget;
7 provided that:

8 (1) The hospital's global operating budget shall be
9 expanded to include the cost of salaries for the
10 health care providers and support staff who are part
11 of the group practice;

12 (2) The group practice shall not have defined members or a
13 separate risk pool; and

14 (3) The services of members of the group practice shall be
15 available to all persons enrolled in malama care.

16 (d) Nothing in this section shall be construed to prohibit
17 a hospital from accepting a patient with supplemental health
18 insurance; provided that the hospital shall not bill a patient
19 with supplemental health insurance for any services covered
20 under malama care.



1 § -7 **Payments to health care providers and health care**
2 **facilities; fee-for-service.** (a) Health care providers and
3 health care facilities operating independently of a hospital
4 shall be paid on a fee-for-service basis.

5 (b) The authority shall establish a standardized schedule
6 for fee-for-service payments based on the professional training
7 and time required for each covered service. The schedule
8 authority shall negotiate the fee-for-service schedule with
9 organized groups representing health care providers on an annual
10 basis. The fee-for-service payment schedule shall not be based
11 on capitation.

12 (c) The authority shall make available the necessary
13 information, forms, access to eligibility on enrollment systems,
14 and billing procedures to health care professionals operating in
15 the State to ensure immediate enrollment for individuals
16 enrolled in malama care at the point of service or treatment.

17 (d) Nothing in this section shall be construed to prohibit
18 a health care provider or health care facility from accepting a
19 patient with supplemental health insurance; provided that the
20 health care provider or health care facility shall not bill a



1 patient with supplemental health insurance for any services
2 covered under malama care.

3 § **-8 Supplemental health insurance.** Nothing in this
4 chapter shall be construed to prohibit a resident from
5 maintaining supplemental health insurance; provided that the
6 resident shall be responsible for any premiums, copayments,
7 deductibles, or coinsurance requirements under a supplemental
8 health insurance's policy, contract, plan, or agreement.

9 § **-9 Office of the patient advocate; established.** There
10 is established an office of the patient advocate, which shall
11 operate independently of the authority and which shall serve to
12 investigate complaints of adverse decisions by the authority or
13 any hospital, health care provider, or health care facility
14 participating in malama care.

15 § **-10 Community-based programs.** (a) The authority
16 shall establish global operating budgets for community-based
17 programs, which shall be based on operating costs, including
18 cost of salaries and overhead.

19 (b) Community-based programs shall serve residents with
20 complex or highly specialized care needs and shall include, at a
21 minimum:



(1) Treatment programs for mental health and substance abuse;

(2) Home care; and

(3) Collaborative support for patients requiring specialized care within primary care practices.

§ -11 **Rulemaking.** The authority shall adopt rules pursuant to chapter 91 necessary for this chapter, including but not limited to:

(1) Rules for the payment of cost sharing by residents; provided that the cost sharing requirement shall be no more than \$30; and

(2) Rules for the provision of care for residents in the State receiving health care coverage from federal and state medicare or medicaid programs.

§ -12 **Reporting.** The authority shall provide an annual report to the legislature no later than twenty days prior to the convening of each regular session, which shall include a summary of its activities during the preceding year, including:

(1) Actions taken to address issues, unmet needs, and challenges relating to the provision of health care services to residents of the State;



(2) Funds received pursuant to the activities of the authority from federal, state, private, and philanthropic sources; and

(3) Any other findings and recommendations, including any proposed legislation."

PART IV

SECTION 5. The governor shall, no later than December 31, 2025, appoint members to the Hawaii health authority pursuant to section 332H-1, Hawaii Revised Statutes, with advice and consent of the senate as soon as practical thereafter.

SECTION 6. (a) The department of human services shall apply to the United States Department of Health and Human Services for any amendment to the state medicaid plan or for any medicaid waiver necessary to implement part III of this Act. The department shall submit the medicaid state plan amendment no later than .

(b) The State shall submit a state innovation waiver proposal to the United States Secretaries of Health and Human Services and the Treasury to waive certain provisions of the federal Patient Protection and Affordable Care Act of 2010, Public Law No. 111-148, as amended, as provided under section



1 1332 of the federal act, and upon approval by the Secretaries to
2 implement the waiver on .

3 SECTION 7. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$350,000 or so much
5 thereof as may be necessary for fiscal year 2025-2026 and the
6 same sum or so much thereof as may be necessary for fiscal year
7 2026-2027 for the general administration of the Hawaii health
8 authority, including the hiring of any staff.

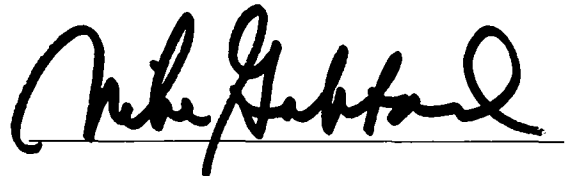
9 The sums appropriated shall be expended by the Hawaii
10 health authority for the purposes of this Act.

11 SECTION 8. In codifying the new sections added by section
12 2 of this Act, the revisor of statutes shall substitute
13 appropriate section numbers for the letters used in designating
14 the new sections in this Act.

15 SECTION 9. This Act shall take effect on July 1, 2025;
16 provided that part III shall take effect one hundred eighty days
17 after the approval of the Hawaii medicaid state plan by the
18 Centers for Medicare and Medicaid Services.

19

INTRODUCED BY:

A handwritten signature in black ink, appearing to read "Mike Gahagan", is written over a horizontal line.

S.B. NO. 1179

Report Title:

Malama Care; Universal Health Care; Hawaii Health Authority;
Single Payer Health Care System; Medicare; Medicaid; Prepaid
Health Care Act

Description:

Requires the Hawaii Health Authority to develop a comprehensive plan for the establishment of a universal, single payer health care system to replace all other health care coverage in the State, including Medicare, Medicaid, and the Prepaid Health Care Act. Establishes a universal, single payer health care system to be known as the Malama Care program under the Hawaii Health Authority to take effect one hundred eighty days after the approval of waivers from certain provisions of the Patient Protection and Affordable Care Act of 2010 and the State's Medicaid plan. Appropriates funds.

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

