

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

14 The legislature additionally finds that Hawaii's current
15 health care insurance system is a disjointed, costly,
16 inefficient, and unnecessarily complicated, multi-payer, private
17 medical insurance model that is largely profit-driven,
18 adversarial, beset with constant cost-shifting and reluctant
19 health care delivery, onerously bureaucratic, and economically
20 irrational. Additionally, health care costs are skyrocketing,
21 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, before the enactment of
20 the PPACA when almost all health care providers in the State
21 were paid on a fee-for-service basis. Approximately ten years



1 later, Hawaii per-capita medicare spending had risen relative to
2 other states, ranking at ninth lowest.

3 The crisis in health care in the United States has also
4 reached Hawaii. Today, thousands of Hawaii residents 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 high deductibles
8 and out-of-pocket co-payments for outpatient care, diagnostic
9 services, and prescription drugs, among other factors. Even
10 well-insured individuals experience problems with their insurers
11 denying, or very reluctantly dispensing, expensive medication
12 and treatments. About half of all bankruptcies are due to
13 extremely expensive, catastrophic illnesses that are not covered
14 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, especially on the
17 neighbor islands, are experiencing increasing difficulty
18 obtaining timely access to doctors.

19 The legislature therefore concludes that a universal,
20 publicly administered, health care-for-all insurance model with
21 a single payment agency for caregivers and health care



1 providers, adapted to meet the unique conditions in Hawaii,
2 would benefit all sectors in the State. A single payer system
3 would remove health care from labor negotiations; reduce overall
4 costs and generate savings for patients; streamline
5 administrative processes for health care providers; reduce
6 overhead expenses for businesses; create a single, centralized
7 health information database to support more informed
8 decision-making regarding health crises in the State; promote
9 equitable allocation of public health resources and enable
10 needs-based expansion of health care facilities; reduce billing
11 and collection 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 the State
15 should take substantial steps toward the establishment of
16 universal health care for its residents and to encourage, to the
17 greatest extent practical, the reduction of administrative
18 complexity in the compensation of the State's hospitals and
19 other institutional providers of health care, and of physicians
20 and other health care workers. This should be accomplished by
21 the creation of a publicly financed health care program, to be



1 known as "Hawaii care", for all Hawaii residents and which shall
2 replace all existing health care plans in the State upon the
3 receipt of necessary federal waivers, including waivers related
4 to medicare, medicaid, and the prepaid health care act.

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

7 (1) Establishing Hawaii care in statute;
8 (2) Designating the Hawaii health authority as the
9 responsible agency for the comprehensive planning,
10 implementation, and administration of Hawaii care; and
11 (3) Requiring the Hawaii health authority to develop and
12 submit a comprehensive plan for the implementation and
13 administration of Hawaii care by .

14 **PART II**

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

18 **"PART . HAWAII CARE; COMPREHENSIVE PLAN**

19 **§322H-A Definitions.** As used in this part:

20 "Authority" means the Hawaii health authority established
21 pursuant to section 322H-1.



1 "Hawaii care" means the universal, single payer health care
2 system established under chapter .

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

5 **S322H-B Hawaii care; comprehensive plan.** (a) The
6 authority shall develop a comprehensive plan for the
7 implementation and administration of Hawaii care. The
8 comprehensive plan shall include:

- 9 (1) Eligibility criteria for Hawaii care;
- 10 (2) Sequencing and financing requirements for Hawaii care;
- 11 (3) Cost of providing a benefits package to all state
12 residents, including all mandatory health care
13 benefits set forth in section -4;
- 14 (4) Recommendation as to whether a benefits package
15 established pursuant to paragraph (3) should include
16 rehabilitation services and long-term care provided in
17 a skilled nursing facility;
- 18 (5) Projected health care outcomes and cost effectiveness
19 of Hawaii care;
- 20 (6) Budget for Hawaii care;



7 (9) Funding mechanisms for Hawaii care, including any
8 proposed income tax or surcharge.

11 **§322H-C Goals; values.** The authority shall ensure that
12 any plan established pursuant to this part shall be based on the
13 following principles:

14 (1) Health care, as a fundamental right for all residents
15 of the State, is to be secured for all individuals on
16 an equitable basis by public means, similar to public
17 education, public safety, and other public
18 infrastructure;

19 (2) Access to health care services shall be based on each
20 individual's need and shall not be restricted based on
21 race, sex, sexual orientation, gender identity or



1 expression, religion, national origin, citizenship
2 status, age, pregnancy and related medical conditions,
3 disability, wealth, income, genetic conditions,
4 primary language use, or previous or existing medical
5 conditions; and

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

11 **§322H-D Research.** The authority shall conduct research on
12 the following to prepare for adoption of Hawaii care:

13 (1) The causes, consequences, and means to mitigate health
14 care provider burn-out in the State;
15 (2) Current compensation practices adopted by health
16 insurers, mutual benefit societies, and health
17 maintenance organizations operating in the State; and
18 (3) Any other current financial practices relating to
19 health care."



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

4 **"PART I. GENERAL PROVISIONS"**

5 SECTION 4. Chapter 322H, Hawaii Revised Statutes, is
6 amended by adding a new section to part I to be appropriately
7 designated and to read as follows:

8 **"§322H- Reports.** The authority shall submit an annual
9 report to the legislature no later than twenty days prior to the
10 convening of each regular session. The report shall include:

11 (1) Summary of the authority's activities during the
12 preceding year;

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

16 (3) Any findings and recommendations based on research
17 conducted pursuant to section 322H-D; and

18 (4) Any other findings, and recommendations, including
19 proposed legislation."

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



1 "§322H-2 Hawaii health authority; duties and
2 ~~responsibilities.~~ (a) The authority shall be responsible for
3 overall health planning for the State and [shall be responsible
4 for] determining future capacity needs for health providers,
5 facilities, equipment, and support services providers[–] in the
6 State.

7 (b) The authority shall [develop a comprehensive health
8 ~~plan that includes:~~

- 9 (1) ~~Establishment of eligibility for inclusion in a health~~
10 ~~plan for all individuals;~~
- 11 (2) ~~Determination of all reimbursable services to be paid~~
12 ~~by the authority;~~
- 13 (3) ~~Determination of all approved providers of services in~~
14 ~~a health plan for all individuals;~~
- 15 (4) ~~Evaluation of health care and cost effectiveness of~~
16 ~~all aspects of a health plan for all individuals; and~~
- 17 (5) ~~Establishment of a budget for a health plan for all~~
18 ~~individuals in the State.]~~

19 be responsible for the comprehensive planning, implementation,
20 and administration of Hawaii care, established pursuant to
21 chapter .



4 (d) The authority may establish subcommittees necessary to
5 carry out its duties and responsibilities.

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

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

PART III

13 SECTION 6. The Hawaii Revised Statutes is amended by
14 adding a new chapter to be appropriately designated and to read
15 as follows:

"CHAPTER

HAWAII CARE

18 § -1 Definitions. As used in this chapter:

19 "Authority" means the Hawaii health authority established
20 pursuant to section 322H-1.



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
15 321-14.5.

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; a
20 mutual benefit society regulated under article 1 of chapter 432;



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

3 **§ -2 Hawaii care; established; administration;**
4 **solicitation of bids.** (a) There is established a universal,
5 single payer health care system, to be known and cited to as
6 Hawaii care and to be administered by the Hawaii health
7 authority. The purpose of Hawaii care is to provide
8 comprehensive health care benefits to all residents of the
9 State, and replace all existing health care plans in the State.

10 (b) The authority may, subject to the requirements of
11 chapters 103D and 103F, as applicable, solicit bids from and
12 award contracts to public or private entities for the
13 administration of Hawaii care, including but not limited to:

14 (1) Claims administration;
15 (2) Quality assurance;
16 (3) Credentialing;
17 (4) Provider relations; and
18 (5) Customer service.

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



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

4 § -3 Hawaii care special fund. (a) There is
5 established in the state treasury a Hawaii care special fund, to
6 be administered and expended by the authority.

13 (c) The Hawaii care special fund shall be used solely for
14 expenses incurred in the operations of Hawaii care, including
15 but not limited to:

16 (1) Salaries and overhead;

17 (2) Payments to third party contractors contracted to

18 administer portions of Hawaii care;

19 (3) Reimbursements to health care providers, health care

20 facilities, and hospitals for health care services



1 rendered to residents of the State that are covered by
2 Hawaii care; and

3 (4) Capital improvement projects.

4 (d) The authority shall establish a subaccount within the
5 Hawaii care special fund for community-based specialized
6 services for patients with complex or highly specialized care
7 needs. The authority may establish additional subaccounts
8 within the fund as necessary.

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

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

17 § -4 Mandatory health care benefits; electronic
18 insurance card. (a) Without limiting the development of
19 medically more desirable combinations and the inclusion of new
20 types of benefits, Hawaii care shall cover at least the
21 following benefits:



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



- 1 (B) Filling of cavities, provision of root canals,
2 and tooth extractions, as medically necessary;
3 and
- 4 (C) Dental x-rays;
- 5 (11) Vision benefits, including:
 - 6 (A) No less than one examination per year;
 - 7 (B) Screening for glaucoma and macular disease;
 - 8 (C) Provision of a basic pair of corrective glasses
9 at least once every two years; and
 - 10 (D) Any medically necessary surgeries to address
11 ocular diseases;
- 12 (12) Hearing benefits, including:
 - 13 (A) An examination no less than once per year; and
 - 14 (B) Hearing aids, if medically necessary;
- 15 (13) Physical therapy;
- 16 (14) Pharmacy benefits, including prescription drug
17 coverage;
- 18 (15) Standard diagnostic screenings, including mammography,
19 colonoscopy, blood glucose, blood cholesterol, bone
20 density, and hearing testing; and



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

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

6 (c) Pharmacy benefits shall be provided in accordance with
7 a comprehensive formulary to be determined by the authority;
8 provided that prescription drug coverage shall be consistent
9 with pharmacy best practices for standards and procedures and
10 cost controls.

11 (d) Except as otherwise provided, the benefits required by
12 this chapter shall be provided without cost sharing to persons
13 covered by Hawaii care, including benefits provided by out-of-
14 state health care providers to residents who are temporarily out
15 of State.

16 (e) Nothing in this chapter shall be construed to require
17 Hawaii care to cover any benefit in excess of those required by
18 this section that is not deemed medically necessary.

19 **S -5 Network adequacy.** The authority shall maintain a
20 robust and adequate network of health care providers located in
21 the State or regularly serving residents.



1 **S -6 Hospitals; budgets; payments; operations.** (a)

2 Each hospital operating in the State shall be funded by a global

3 budget, to be determined for each hospital by the authority and

4 to be based on the cost of operations for services provided by

5 each individual hospital. Hospital operating budgets shall not

6 be based on fee-for-service billings and collections or payment

7 through capitation.

8 (b) Any funds from a hospital's operating budget that are

9 unexpended or unencumbered by July 30 of each year shall be

10 applied to the hospital's budget for the following fiscal year.

11 (c) Each hospital may elect to include an associated group

12 practice, including physicians and other licensed health care

13 providers, under the hospital's global operating budget;

14 provided that:

15 (1) The hospital's global operating budget shall be

16 expanded to include the cost of salaries for the

17 health care providers and support staff who are part

18 of the group practice;

19 (2) The group practice shall not have defined members or a

20 separate risk pool; and



3 (d) Nothing in this section shall be construed to prohibit
4 a hospital from accepting a patient with supplemental health
5 insurance; provided that the hospital shall not bill a patient
6 with supplemental health insurance for any services covered
7 under Hawaii care.

8 § -7 Payments to health care providers and health care

9 **facilities; fee-for-service.** (a) Health care providers and
10 health care facilities operating independently of a hospital
11 shall be paid on a fee-for-service basis.

12 (b) The authority shall establish a standardized schedule
13 for fee-for-service payments based on the professional training
14 and time required for each covered service. The authority shall
15 negotiate the fee-for-service schedule with organized groups
16 representing health care providers on an annual basis. The
17 fee-for-service schedule shall not be based on capitation.

18 (c) The authority shall make available the necessary
19 information, forms, access to eligibility on enrollment systems,
20 and billing procedures to health care professionals operating in



1 the State to ensure immediate enrollment for individuals
2 enrolled in Hawaii care at the point of service or treatment.

3 (d) Nothing in this section shall be construed to prohibit
4 a health care provider or health care facility from accepting a
5 patient with supplemental health insurance; provided that the
6 health care provider or health care facility shall not bill a
7 patient with supplemental health insurance for any services
8 covered under Hawaii care.

9 **S -8 Supplemental health insurance.** Nothing in this
10 chapter shall be construed to prohibit a resident from
11 maintaining supplemental health insurance; provided that the
12 resident shall be responsible for any premiums, copayments,
13 deductibles, or coinsurance requirements under a supplemental
14 health insurance's policy, contract, plan, or agreement.

15 **S -9 Office of the patient advocate; established.** There
16 is established an office of the patient advocate, that shall
17 operate independently of the authority and that shall serve to
18 investigate complaints of adverse decisions by the authority or
19 any hospital, health care provider, or health care facility
20 participating in Hawaii care.



1 **S -10 Community-based programs.** (a) The authority
2 shall establish global operating budgets for community-based
3 programs, that shall be based on operating costs, including cost
4 of salaries and overhead.

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

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

10 (2) Home care; and

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

13 **S -11 Rules.** The authority shall adopt rules pursuant
14 to chapter 91 necessary to carry out the purposes of this
15 chapter, including but not limited to rules for:

16 (1) Payment of cost sharing by residents; provided that
17 the cost sharing requirement shall be not more than
18 \$30; and

19 (2) Provision of care for residents in the State receiving
20 health care coverage from federal and state medicare
21 or medicaid programs.



PART IV

13 SECTION 7. The governor shall, no later than December 31,
14 2026, appoint members to the Hawaii health authority pursuant to
15 section 332H-1, Hawaii Revised Statutes, with advice and consent
16 of the senate as soon as practical thereafter.

17 SECTION 8. (a) No later than , the department
18 of human services shall apply to the centers for Medicare and
19 Medicaid Services for any amendment to the state medicaid plan
20 or for any medicaid waiver necessary to implement part III of
21 this Act.



9 SECTION 9. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$350,000 or so much
11 thereof as may be necessary for fiscal year 2026-2027 for the
12 general administration of the Hawaii health authority, including
13 the hiring of any staff necessary for the purposes of this Act.

14 The sum appropriated shall be expended by the department of
15 budget and finance for the purposes of this Act.

16 SECTION 10. In codifying the new sections added by
17 section 2 of this Act, the revisor of statutes shall substitute
18 appropriate section numbers for the letters used in designating
19 the new sections in this Act.

20 SECTION 11. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



1 SECTION 12. This Act shall take effect on July 1, 2026;
2 provided that part III shall take effect one hundred eighty days
3 after the later of the approval of the Hawaii medicaid state
4 plan and applicable waivers by the Centers for Medicare and
5 Medicaid Services or the implementation date of the state
6 innovation waiver approved by the United States Secretary of
7 Health and Human Services and United State Secretary of the
8 Treasury.

9

INTRODUCED BY:



S.B. NO. 3305

Report Title:

Hawaii Health Authority; Hawaii Care; Universal Health Care; Single Payer Health Care System; Hawaii Care Special Fund; Rules; Reports; Governor; Department of Human Services; Medicare; Medicaid; Appropriation

Description:

Establishes a universal, single payer health care system to be known as "Hawaii Care", to provide comprehensive health care benefits to all state residents and eventually replace all existing health care plans in the State. Designates the Hawaii Health Authority as the responsible agency for the comprehensive planning, implementation, and administration of Hawaii Care. Requires the Hawaii Health Authority to develop and submit a comprehensive implementation and administration plan to the legislature by a certain date. Establishes the Hawaii Care special fund. Requires the Hawaii Health Authority to adopt rules and submit reports to the Legislature. Requires the Governor to appoint members to the Hawaii Health Authority by 12/31/2026. Requires the Department of Human Services to apply for necessary federal waivers. Takes effect 180 days after the approval of the Hawaii Medicaid State Plan and necessary federal waivers. Appropriates funds.

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