

ACT 55

H.B. NO. 694

A Bill for an Act Relating to Health.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. In the last National Health Expenditures report published in 2015, the Centers for Medicare and Medicaid Services reported that the United States expended \$3,200,000,000,000 on healthcare annually, or \$9,990 per person, which represents 17.8 per cent of the nation's Gross Domestic Product. The Centers for Medicare and Medicaid Services further projected that national health spending would continue to grow at an average rate of 5.6 per cent per year for 2016-2025. The rising costs of healthcare premiums have far outpaced inflation and wages. Family health insurance premiums grew one hundred thirty-one per cent from 1999 to 2009 but workers' earnings increased only 38.1 per cent over that same time period, according to the Economic Policy Institute.

The Kaiser Family Foundation reported that the total health spending in the State was approximately \$10,338,000,000 in 2014. According to the Hawaii department of commerce and consumer affairs' insurance division, total health premiums have increased from \$1,262,118,865 in 1995 to \$6,343,949,857 in 2015, an average increase of twenty per cent each year. Healthcare premiums in Hawaii constitute an increasing percentage of wages, growing from 2.8 per cent in 1974 with the passage of the Prepaid Health Care Act to 14.7 per cent in 2015. Small group healthcare premiums increased an average of six per cent each year from 2010 to 2015, and increased by 7.5 per cent on average from 2013 through 2015.

Medicaid enrollment and spending growth has also increased. The National State Budget Officers' November 2017 State Expenditure Report found that medicaid has grown from about twenty per cent of total state spending to twenty-nine per cent of total state spending for 2017. Excluding federal funds, medicaid was nearly seventeen per cent of state fund expenditures, or a 7.1 per cent increase in state fund spending.

In Hawaii, medicaid makes up sixteen per cent of total state expenditures, which represents eleven per cent of the State's general funds. General fund expenditures for the State increased by 7.3 and 8.8 per cent in fiscal years 2015-2016 and 2016-2017, respectively. Medicaid state fund expenditures increased by 6.3 per cent and 12.3 per cent during this same period. While the increase is largely due to higher enrollment, rising healthcare costs are also part of the general trend.

Act 139, Session Laws of Hawaii 2016, amended section 323D-18.5, Hawaii Revised Statutes, to facilitate greater transparency in the healthcare sector and improve understanding of healthcare costs, healthcare system quality, population health conditions, and healthcare disparities through the development of what is called an "all-payer claims data warehouse." Act 139 broadened the scope of health and healthcare data and other information, including certain healthcare services claims and payment information submitted to the state health planning and development agency for analysis and dissemination of medical treatment claims and payment information, lent transparency to the healthcare sector, and supported public policy decision making. In Act 139, the legislature found that consumers of healthcare and state decision makers who regulate healthcare and insurance should have access to healthcare claims payment data and analytics, that access to such data will benefit members and retirees under the Hawaii employer-union health benefits trust fund, as well as medicaid and medicare recipients, and that analysis of claims data will serve other public purposes.

The state health planning and development agency reports that the all-payer claims database is approaching full operability and will begin receiving data from some insurers in 2018. Reports from and analysis of the all-payers claims data will be used in program planning by the department of human services Med-QUEST division, Hawaii employer-union health benefits trust fund, department of health, department of commerce and consumer affairs' insurance division, and department of budget and finance. Also, reports and analytics will aid efforts to improve the State's healthcare delivery system and the overall long-term health and well-being of the State's workforce, retirees, and medicaid beneficiaries, with the ultimate goal to reduce overall state-funded healthcare costs.

Act 139 also tasked the pacific health informatics and data center of the University of Hawaii to provide data stewardship and conduct analysis to further transparency and understanding of healthcare and to provide actionable information to healthcare programs and consumers.

The department of health and the state health planning and development agency are tasked with promoting accessibility to quality healthcare services for residents of the State at a reasonable cost. To implement and operationalize Act 139, the department of health and the state health planning and development agency have been working with the department of human services, the Hawaii employer-union health benefits trust fund, the department of commerce and consumer affairs' insurance division, the department of budget and finance, the department of accounting and general services' office of enterprise technology services, and the University of Hawaii. Data and health analytics have emerged as key aspects in the comprehensive use of the data to be collected.

After careful consideration and to enhance and sustain critical analytics of the State's medical claims data, these entities reached consensus that a health analytics program be established in the Med-QUEST division of the department of human services. The Med-QUEST division already maintains or has access to the required medical claims and administrative data of the State's medicaid health insurance program that provides coverage for one in four of Hawaii's residents.

As part of the overall continuous improvement of the administration of the State's medicaid program, the Med-QUEST division may be able to access federal matching funds to perform the desired healthcare analytics. This would help sustain the health analytics program. The health analytics program of the Med-QUEST division will act as the state health planning and development agency's designee and data center to receive administrative data required to determine health benefits costs from health insurance plans funded by the Hawaii employer-union health benefits trust fund as contemplated by section 323D-18.5, Hawaii Revised Statutes.

Continuing to work with the department of health, the department of commerce and consumer affairs, the state health planning and development agency, and the University of Hawaii, the health analytics program will provide analytics to achieve the goals of Act 139 of increased transparency, better health, better healthcare, and lower costs for beneficiaries of state funded health insurance plans, including the medicaid program.

The health analytics program and the all-payers claims data warehouse are key for administering state-run health programs, including medicaid. For example, improving and expanding health informatics and analytics capabilities are critical for the State and the Med-QUEST division to respond to the current congressional and federal administration proposals to undermine the Affordable Care Act health insurance coverage, including the medicaid program. Also, the State is facing rapidly increasing costs for healthcare in both the private and public sectors, especially for medicaid and the Hawaii employer-union health benefits trust fund, that may slow or stagnate economic growth and take up an increasing share of limited state general funds that may be invested in other sectors to promote overall community health and well-being.

Finally, the all-payers claims data warehouse is a needed tool for medicaid to administer the program. In addition to essential basic functions of analyzing standardized comparative quality indicators, cost trends, and cost drivers, several federal medicaid mandates can only be met by utilizing a functioning all-payers claims data warehouse. For example, new federal rules regarding medicaid managed care and network adequacy require examining community standards for accessing care. This standard-setting activity is only possible for Med-QUEST to accomplish via readily accessible datasets and informatics capability provided by the all-payers claims data warehouse. To do this work will require four permanent exempt full-time positions: health analytics and informatics program administrator, senior healthcare analytics and research coordinator, program and contracts financial coordinator, and healthcare statistician. The highly specialized technical, analytic, statistical, and programmatic skills required, the limited applicant pool of individuals with these specialized skills, and the high demand in the private and public healthcare sectors for these individuals make it necessary that the positions be exempt from the civil service provisions of chapter 76, Hawaii Revised Statutes. There is the potential of federal medicaid match of an appropriation of general funds for these positions.

The purpose of this Act is to establish the health analytics program in the Med-QUEST division of the department of human services, including by:

- (1) Establishing four positions exempt from chapter 76, Hawaii Revised Statutes, to be known as the health analytics and informatics program administrator, the senior healthcare analytics and research coordinator, the program and contracts financial coordinator, and the healthcare statistician; and
- (2) Appropriating funds to the department of human services for the establishment and operational costs of the health analytics program, including for two full-time equivalent positions.

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

“PART . HEALTH ANALYTICS

§346- Health analytics program; appointments. (a) There is established within the department of human services the health analytics program.

(b) The head of the program shall be known as the health analytics and informatics program administrator, hereinafter referred to as analytics administrator. The analytics administrator shall have professional training in the field of health analytics or a related field, and recent experience in a supervisory, consultative, or administrative position. The analytics administrator shall be appointed by the director and shall be exempt from chapter 76. Notwithstanding section 76-16(b)(17), this exemption shall not expire.

(c) The director may make further necessary position appointments to the health analytics program to conduct data analytics, informatics product development to support healthcare services programs, and any other necessary services, including administrative services, required to perform the duties of the program. Three of these positions shall be a senior healthcare analytics and research coordinator, a program and contracts financial coordinator, and a healthcare statistician, who shall all be exempt from chapter 76. Notwithstanding section 76-16(b)(17), the exemptions for these positions shall not expire.

(d) The health analytics program shall develop, design, or implement databases, primarily an all-claims, all-payer database, and an encompassing data center to collect and analyze healthcare data. The health analytics program may provide, in consultation with the state health planning and development agency, the department of health, the department of commerce and consumer affairs, the Hawaii employer-union health benefits trust fund, and the University of Hawaii, comparative cost and quality information about Hawaii’s healthcare systems and health plan networks to consumers, providers, and purchasers of healthcare in order to provide comparative information to government policy makers and residents of the State.

(e) The health analytics program may procure services in consultation with the department of health, and may perform technical tasks including data management, data cleansing, data quality, data analytics, and related activities that the program finds necessary to produce reports. The program and all associated technical vendors shall use the best available privacy and security measures, as required by law, to protect access to electronic protected health information, and shall provide for further analysis of data that is in limited datasets or de-identified formats, within the confines of the established data governance framework as provided in rules adopted by the department pursuant to chapter 91. All data sharing, use, and research shall be done in accordance with all applicable laws, including laws regarding privacy, confidentiality, and research.

(f) Subject to available funding, the health analytics program is authorized to serve as the contracting and data center designee of the state health planning and development agency.

(g) The health analytics program may contract with the Pacific Health Informatics and Data Center of the University of Hawaii, as a data analytics partner to the State. The University of Hawaii may conduct core or additional analytics functions and produce reports for the program and the state health planning and development agency in this capacity.

(h) The health analytics program shall develop a plan for the analysis, maintenance, and publication of data, in consultation with the department of health, the Hawaii employer-union health benefits trust fund, the office of enterprise technology services, the insurance division of the department of commerce and consumer affairs, and the University of Hawaii. The plan shall be updated annually.

(i) The department of human services shall adopt administrative rules pursuant to chapter 91 for the purposes of this part.”

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$703,980 or so much thereof as may be necessary for fiscal year 2018-2019, for the department of human services to establish the health analytics program and carry out the purposes of this Act, including the establishment, hiring, and filling of 1.2 full-time equivalent (1.2 FTE) positions exempt from chapter 76, Hawaii Revised Statutes, any other administrative staff, and any operational expenses as may be required.

The sum appropriated shall be expended by the department of human services for the purposes of this Act.

SECTION 4. There is appropriated from moneys in the treasury received from federal funds the sum of \$495,120 or so much thereof as may be necessary for fiscal year 2018-2019, to carry out the purposes of the health analytics program established pursuant to this Act, including the establishment, hiring, and filling of 0.8 full-time equivalent (0.8 FTE) position exempt from chapter 76, Hawaii Revised Statutes.

The sum appropriated shall be expended by the department of human services for the purposes of this Act.

SECTION 5. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 6. This Act shall take effect on July 1, 2018.

(Approved June 27, 2018.)