
A BILL FOR AN ACT

RELATING TO HEALTHCARE.

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 permanent
3 resident to have high quality and affordable healthcare
4 insurance coverage. Healthcare is more than just medical
5 insurance payouts. It includes cost-saving and early
6 intervention measures to prevent medical conditions from
7 becoming chronic, permanently disabling, or fatal.

8 Hawaii's current healthcare insurance complex is a
9 disjointed, costly, inefficient, and unnecessarily complicated
10 multi-payer private medical insurance model that is mostly
11 profit-driven, adversarial, beset with constant cost-shifting
12 and reluctant healthcare delivery, onerously bureaucratic, and
13 generally economically irrational. Additionally, healthcare
14 rates are skyrocketing at or near double-digit annual rates and
15 are creating an affordability and accessibility crisis for
16 Hawaii's residents.

17 The three biggest cost-drivers of healthcare in the United
18 States and Hawaii today are associated with the following:



- 1 (1) A profit-driven complex of payment-reluctant multi-
2 payer health insurance bureaucracies competing to
3 insure only the healthy and the wealthy, while leaving
4 those who need healthcare the most, to the taxpayers;
- 5 (2) The lack of a central electronic healthcare database;
6 and
- 7 (3) Inordinately high-cost prescription drugs.

8 For more than a quarter of a century, Hawaii was far ahead
9 of most other states and often called itself "the health state"
10 because of the 1974 Prepaid Healthcare Act (PHCA). In 1994
11 Hawaii had a low uninsured population of between two and five
12 per cent. But, the crisis in healthcare on the United States
13 continent began coming to Hawaii.

14 Today, more than one hundred thousand Hawaii residents are
15 without any healthcare insurance coverage. More than twelve
16 thousand of the uninsured are children. Many other Hawaii
17 residents are underinsured, unable to use their insurance
18 properly or even at all, because of increasingly expensive
19 deductibles and out-of-pocket co-payments for outpatient visits,
20 diagnostic tests, and prescription drugs, among other factors.

21 The annual high increase in premium costs translates into
22 increased employer costs. Under PHCA, private-sector employers



1 are required to pay health insurance premiums equal to the
2 amount of the premium that exceeds the cap on employee
3 contributions of one and half per cent of a full-time employee's
4 pay. Public employers generally pay even more because of their
5 exemption from PHCA and must negotiate with their employees for
6 employer-provided family healthcare insurance.

7 PHCA does not require employers to provide health insurance
8 coverage for employees working less than twenty hours per week.
9 Increasing health insurance costs prompted some employers to
10 hire individuals to work only part-time, or less than twenty
11 hours per week, to avoid having to pay for employee healthcare
12 benefits under PHCA.

13 Even well-insured individuals are experiencing problems
14 with their health maintenance organizations and insurance
15 companies denying, or very reluctantly dispensing, expensive
16 medicines and treatments. A 2005 national study by Harvard
17 University found that about half of all bankruptcy filings are
18 partly due medical expenses, and most people who file for
19 bankruptcy protection because of medical problems have health
20 insurance.

21 The legislature further finds that Canada has for many
22 years had a tried, tested, and true universal publicly



1 administered healthcare-for-all healthcare insurance model with
2 one payout agency for caregivers and providers. A variation of
3 this very successful system adapted to meet the unique
4 conditions in Hawaii would be very beneficial for the following
5 reasons:

- 6 (1) For union members and their employers, it means taking
7 healthcare off the negotiating table;
- 8 (2) For patients, as taxpayers and insurance premium-
9 payers, it means significant reductions in overall
10 costs, increases in benefits, and the slowing of
11 annual inflation cost increases. It also means a
12 transition from increasingly uncaring profit-driven
13 healthcare 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 healthcare;
- 17 (3) For businesses, large and small, it reduces
18 significant overhead expenses;
- 19 (4) For the local economy, it means keeping almost all
20 healthcare dollars in the state;
- 21 (5) For government, it means having one integrated
22 electronic health information database for



1 unprecedented planning and cost-containment
2 capabilities. It also means relief from the perceived
3 emerging problem of "unfunded liabilities" associated
4 with long-term funding of government retiree lifetime
5 healthcare benefits;

6 (6) For physicians, nurses, and other caregivers, it means
7 less paperwork, much less work stress, and much more
8 time with patients;

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

13 (8) For the general public, it means accessible and
14 affordable healthcare for every person, and relief
15 from the increasing stresses of constant worry over
16 the instability of healthcare coverage.

17 The legislature declares that single-payer, uniformly-
18 delivered high-quality healthcare-for-all is a basic human right
19 for Hawaii's citizens.



1 The purpose of this Act is to create a unified, single-
2 payer, universal healthcare system covering all Hawaii
3 residents, similar to that of Canada's.

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

7 **"CHAPTER**

8 **SINGLE-PAYER UNIVERSAL HEALTHCARE SYSTEM**

9 **§ -1 Definitions.** Unless otherwise clear from the
10 context, as used in this chapter:

11 "Authority" means the authority.

12 "Central unified electronic health information system
13 database," means a primary, computerized electronic health
14 information system to store and access medical records for the
15 state-wide single-payer universal healthcare insurance system.

16 "County healthcare review boards" means the county bodies
17 tasked with continuously monitoring healthcare conditions, to
18 assist the authority to maximize the efficiency and cost-
19 effectiveness of a single-payer universal healthcare system.

20 "Global budget" means the annual or monthly lump sum that
21 the authority pays each hospital, community health clinic, home-

1 care agency and long-term care facility to cover all operating
2 expenses.

3 "Healthcare registration cards" means a personalized
4 medical identification card showing that a permanent resident is
5 covered by the single-payer universal healthcare system.

6 "Medically necessary" means procedures, treatments, and
7 other services that are needed and performed primarily by the
8 physicians and other qualified healthcare practitioners
9 according to medical best practices and which are recognized as
10 such by the authority.

11 "Pay-as-we-go" means monthly healthcare funding and
12 insurance claims paid-out immediately for those needing
13 "medically necessary" healthcare.

14 "Prepaid" means Hawaii's state-funded single-payer
15 healthcare for all insurance system providing medically-
16 necessary healthcare services without fees, co-payments, or
17 deductibles at the time healthcare is needed.

18 "State healthcare insurance planning and financing
19 authority" means the administrator of the universal single-payer
20 healthcare insurance system for the state of Hawaii.

21 "Single-payer universal healthcare insurance system" means
22 covering all permanent residents of the State of Hawaii.



1 "Universal" means healthcare for all of Hawaii's permanent
2 residents.

3 "Universal healthcare provision fund" means the fund used
4 by the authority to collect funds and pay out claims, and to
5 administer an emergencies and demographic changes contingencies
6 reserve fund; and a retraining fund for health field employees
7 affected by the transition to the single-payer universal
8 healthcare insurance system.

9 **§ -2 Single-payer universal healthcare insurance system;**
10 **established.** (a) There is established the single-payer
11 universal healthcare insurance system to provide the same
12 uniformly high-quality level of "medically necessary" healthcare
13 to all Hawaii's permanent residents. Private healthcare
14 insurers are prohibited from duplicating the coverages provided
15 by the single-payer universal healthcare insurance system.

16 **§ -3 Twenty functional concepts; established.** Hawaii
17 state-funded single-payer universal healthcare insurance system
18 is based upon twenty functional concepts as follows:

19 (1) "Universal" the State of Hawaii single-payer universal
20 healthcare insurance system finances "healthcare-for-
21 all" which means quality healthcare is "universally



1 available" on a "prepaid" basis to permanent
2 residents;

- 3 (2) "Prepaid" - Hawaii's state-funded single-payer
4 healthcare-for-all insurance system that provides
5 medically-necessary healthcare services without fees,
6 co-payments, or deductibles at the time of healthcare
7 need. The system operates on a "pay-as-we-go" basis.
8 Income and other taxes are collected by the system on
9 an ongoing basis through payroll deduction and/or at
10 retail checkout counters, or through other appropriate
11 revenue raising methods, including existing funding
12 from federal and state; including but not limited to
13 medicare/medicaid, and prepaid health care act funds,
14 employee union trust fund funds, until full transition
15 is completed, as the funds for pre-paying for
16 healthcare services when they are needed. Persons
17 with healthcare needs may present their healthcare
18 registration cards to receive medically necessary
19 healthcare services without ever seeing a bill for
20 them. This represents great savings over previous
21 billing processes;



- 1 (3) "Comprehensive" - The State of Hawaii single-payer
2 universal healthcare insurance system is
3 "comprehensive" in that it covers all medically
4 necessary hospital, physician, dentist, home-care, and
5 long-term care services for every Hawaii permanent
6 resident;
- 7 (4) "Medically necessary" - Medically necessary
8 procedures, treatments, and other services that are
9 primarily the responsibility of physicians and other
10 qualified healthcare practitioners according to well-
11 established best practices which are recognized by the
12 authority. In addition, the county healthcare review
13 boards shall assess which prescription drugs,
14 appliances, services, and delivery modes are:
- 15 (A) Medically necessary; or
16 (B) Effective; or
17 (C) Both,
18 and accordingly make their recommendations to the
19 authority;
- 20 (5) "Accessible" - There is accessibility to one high-
21 quality level of healthcare-for-all without income or
22 other barriers;



1 (6) "High-quality" - Uniformly high quality of systemwide
2 healthcare provision is the standard of the single-
3 payer universal healthcare system;

4 (7) "Choice" - Patients have their choice of physician,
5 dentist, and other single-payer universal healthcare
6 system caregivers;

7 (8) "Portable" - single-payer universal healthcare system
8 coverage is portable for permanent residents within
9 and outside the State of Hawaii.

10 Portability applies primarily between islands and
11 counties. Also, portability within the state means
12 that when employees change employers there is no
13 problem with having to change healthcare plans. This
14 Act also entitles Hawaii permanent residents to
15 "receive medically necessary services in relation to
16 an emergency when absence from the State is temporary,
17 such as on business or vacation";

18 (9) "Publicly administered" - The State of Hawaii single-
19 payer universal healthcare insurance system shall be
20 maintained and administered by an elected authority.

21 (10) "Publicly funded" - Healthcare insurance premiums are
22 directly and indirectly collected through:



- 1 (A) Taxes; or
- 2 (B) Other authority revenue-raising measures; or
- 3 (C) Both; and
- 4 deposited immediately into the State's universal
- 5 healthcare provision fund. It is used by the
- 6 authority to collect and pay out healthcare insurance
- 7 claims and global budget funds to institutional
- 8 providers on a pay-as-we-go basis or allocated as
- 9 needed into the universal healthcare provision fund
- 10 healthcare pay-outs reserve or both. There shall be a
- 11 fiscal firewall between the universal healthcare
- 12 provision fund and the state budget;
- 13 (11) "Single-payer" - Financing of Hawaii's healthcare-for-
- 14 all system shall be publicly funded and healthcare
- 15 insurance claims shall be paid out to doctors,
- 16 dentists, hospitals, and other eligible caregivers and
- 17 providers by the single pay-out government agency, or
- 18 the authority, on a "pay-as-we-go" basis;
- 19 (12) "Pay-as-we-go" - Healthcare funding is raised each
- 20 ongoing month and insurance claims are paid-out as
- 21 soon as practicable, for those needing medically
- 22 necessary healthcare;



1 (13) "Universal healthcare provision fund" - The universal
2 healthcare provision fund is fundamental to the
3 single-payer universal healthcare system and is used
4 by the authority to collect and pay out healthcare
5 insurance claims and global budget funds to
6 institutional providers on a pay-as-we-go basis or to
7 be allocated as needed into the universal healthcare
8 provision fund healthcare pay-outs reserve. Part of
9 the purpose of the reserve fund is to provide
10 retraining grants. The other part is for healthcare
11 related contingencies to build capital improvement
12 support funding;

13 (14) "Fiscal firewall" - Medically necessary is the
14 operative term throughout Hawaii's single-payer
15 universal healthcare system; but, nowhere more so than
16 in regard to the funding of the system. The
17 autonomous authority oversees and maintains the
18 universal healthcare provision fund, which is
19 completely independent of the state budget;

20 (15) "Central unified electronic health information system
21 database" The State of Hawaii single-payer universal
22 healthcare insurance system collects and maintains in



1 real-time an up-to-the-minute single central database
2 for comprehensive, complete, and accurate electronic
3 healthcare information. This is a very significant
4 major source of savings and cost-containment which
5 makes the low-cost financing of comprehensive single-
6 payer universal healthcare possible. This unified
7 high-tech health information system, for instance,
8 enables:

9 (A) Accurate future projections;

10 (B) Unprecedented planning and cost-containment
11 capabilities;

12 (C) Early detection of medical mistakes, malpractice
13 and fraud; and

14 (D) Early system-wide sharing of emerging "best
15 practices";

16 (16) "County healthcare review boards" - County healthcare
17 review boards are elected, independent bodies
18 established by each county government - along the
19 lines of Oahu's elected neighborhood board system - to
20 continuously monitor healthcare conditions in their
21 respective counties to assist the authority in making
22 the State of Hawaii's single-payer universal



1 healthcare insurance system fit the specific

2 healthcare needs of each island;

3 (17) "Retraining fund" - A retraining fund is collected as
4 part of the universal healthcare provision fund. The
5 purpose is to provide cost-effective funding for
6 health field workers displaced by the transition to
7 the single-payer universal healthcare system;

8 (18) "Global budgets" - the authority pays each hospital,
9 community health clinic, home-care agency, and long-
10 term care facility an annual or monthly global lump
11 sum to cover all operating expenses - that is, a
12 global budget. Hospitals, long-term care facilities,
13 and home-care agencies, and the authority negotiate
14 the amount of these payments annually, based on past
15 expenditures, previous financial and clinical
16 performance, projected changes in levels of services,
17 wages and input costs, and proposed new and innovative
18 programs. Hospitals, long-term care facilities, and
19 home-care agencies may not bill for non-operating
20 expenses. Hospitals, long-term care facilities, and
21 home-care agencies may not use any of their operating
22 budget for expansion, profit, excessive executives'



1 incomes, marketing, or major capital purchases or
2 leases. Major capital expenditures come from the
3 universal healthcare provision fund, but will be
4 appropriated separately based upon community needs.
5 Investor-owned hospitals will be converted to not-for-
6 profit status, and their owners compensated for past
7 investment. Global budgets for institutional
8 providers eliminate billing, while providing a
9 predictable and stable financial support;

10 (19) "Lifetime individual identification number" - the
11 authority systematically registers each and every
12 Hawaii permanent resident with an assigned lifetime
13 identification number so that they are covered by the
14 system and issues to them a single-payer universal
15 healthcare system healthcare user card. Also, this is
16 the first step in bringing all of Hawaii's healthcare
17 information into one secure, constantly updated,
18 central unified electronic, computerized health
19 information system database; and

20 (20) "Healthcare registration cards" - Eligible healthcare
21 users of the State of Hawaii single-payer universal
22 healthcare insurance system shall register with the



1 system and be issued a lifetime individual
2 identification number and a healthcare registration
3 card to be able to access system healthcare. Newborn
4 citizens will be registered at birth, in most cases by
5 the facility where the birth occurs.

6 **§ -4 State healthcare insurance planning and financing**
7 **authority.** (a) There is established within the department of
8 taxation, for administrative support purposes, the elected
9 autonomous authority, to determine the costs of the system, and
10 to gather the needed financing methods and transition
11 mechanisms, including the retraining of affected personnel.

12 (b) The State of Hawaii office of elections shall prepare
13 and execute all the necessary procedures for the election of a
14 authority members in the 2006 elections in accordance with this
15 Act.

16 (c) Trustee-members of the authority shall be chosen
17 through statewide election. The authority shall be composed of
18 seven voting trustee-members, and meet the same age and state
19 residency requirements as candidates for the state senate.
20 There shall be one trustee-chairperson member elected with no
21 county residency requirement. All trustee-members shall be
22 elected by voters statewide for terms of six years each; except



1 that the terms of the six non-chairperson trustee members in the
2 first election shall be:

3 (1) Two each for two, four, and six years, respectively,
4 with each seat's initial term of two, four, or six
5 years being determined by lottery conducted by the
6 office of elections;

7 (2) Three of the non-chairperson trustees shall be
8 residents of the city and county of Honolulu; and

9 (3) Three, one each, shall be a permanent resident of
10 Hawaii county, Kauai county and Maui county,
11 respectively.

12 (d) Effective Wednesday, November 8, 2006, the authority,
13 as soon as possible upon taking office shall move to organize
14 according to the provisions of this Act and in that process to
15 assume the functions of the state health planning and
16 development agency, which are hereby transferred to the
17 authority, as well as the responsibilities associated with being
18 the new State of Hawaii liaison with the centers for medicare
19 and medicaid services and other federal healthcare agencies, and
20 to assume prepaid health care act functions and the Hawaii
21 employer union health benefits trust fund. The latter two

1 functions shall be maintained intact and stable until the full
2 integration of each into the system can be completed by the
3 authority.

4 (e) The authority in the spirit of and within the
5 parameters of the twenty functional-concepts listed herein for
6 Hawaii's single-payer universal healthcare system, shall:

- 7 (1) Start-up and maintain a trust fund comprised of a pay-
8 as-we-go transfer payments system and contingencies
9 and restraining reserve fund;
- 10 (2) Negotiate and receive all federal, state, and other
11 appropriate healthcare revenue;
- 12 (3) Assess temporary progressive income and general excise
13 surtaxes for start-up and on-going maintenance of the
14 system, based on the medically necessary requirements
15 of healthcare for all Hawaii residents; and for
16 emergency costs as necessary, for instance, during
17 epidemic or other medical catastrophe;
- 18 (4) Be the single-payer of universal healthcare financing
19 (the one payout agency) for Hawaii;
- 20 (5) Hire a chief executive officer who will be accountable
21 to the authority trustees for the development and



1 success of the single-payer universal healthcare
2 system; and

3 (6) Conduct a continuous and ongoing program of
4 enrollment.

5 (f) The concurrence of a majority of all members shall be
6 necessary to make any action of the authority valid.

7 (g) The salary of the executive director shall be \$
8 a year and the salaries of the authority chairperson shall be \$
9 a year, and the other member-directors shall be \$ a
10 year."

11 SECTION 3. This Act shall take effect on July 1, 2006.



H.B. NO. 3128

Report Title:

Healthcare; Universal

Description:

Establishes agency to operate a single-payer universal healthcare insurance system. (HB3128 HD1)

HB3128 HD1 HMS 2006-1755

