
A BILL FOR AN ACT

RELATING TO HEALTH.

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

1 SECTION 1. The legislature finds that the cost of medical
2 care is rising rapidly. Despite a growing shortage of health
3 care providers and health programs, the demand for more health
4 services is growing, exacerbated by a rapidly increasing elderly
5 population and the development of new technologies. This trend,
6 if left unchecked, may allow only those who can afford to pay to
7 access health services even as, historically, certain basic
8 health services were guaranteed to all. Yet, economic pressures
9 could eliminate these essential health care services for those
10 with the greatest need.

11 The most important aspect of health care planning is to
12 prioritize all health programs, including those considered basic
13 services, and streamline the health care delivery process to
14 ensure the availability of the most important health services.
15 A community should select the right health care program based on
16 an identification and evaluation of various issues important to
17 that community.



1 Part of this evaluation is a comparison of costs and
2 benefits. Health economics is a field of study that projects
3 and evaluates what resources are needed to create a desired
4 effect and measures the efficiency with which these effects are
5 achieved. Health economics differs somewhat from regular
6 business investment/return strategies because it focuses on cost
7 aversion, or savings, rather than profits. More importantly, it
8 considers savings for the entire community. The health
9 economics approach specifically incorporates an analysis of:

10 (1) Different methods for dealing with different
11 situations such as:

12 (A) Cost vs. effectiveness methods;

13 (B) Cost minimization methods; and

14 (C) Fixed budget situation methods;

15 (2) Scale of investment;

16 (3) Time for savings;

17 (4) Issue of who pays compared to who saves;

18 (5) Possibility of diminishing returns;

19 (6) Ethical commitments; and

20 (7) Uncertainty of savings;

21 All things being equal, a project that results in bigger

22 and quicker savings for the amount invested earns a higher



1 priority. It is important that the principles of health
2 economics be used as a universal paradigm to compare different
3 programs and approaches in order to rationally and objectively
4 prioritize costly health programs.

5 The purpose of this Act is to establish a three-year pilot
6 program to train key employees in the department of health and
7 the respective counties' departments of health in the principles
8 of health economics in order for these employees to apply those
9 principles to the initiation and operation of health care
10 programs under their respective jurisdictions.

11 SECTION 2. **Department of health; employee designation;**
12 **standards; monitoring; consultation; termination.** (a) No later
13 than August 31, 2006, the director of health shall designate key
14 employees within the department of health to undergo training in
15 the principles of health economics pursuant to section 4. No
16 later than September 30, 2006, the director shall set training
17 standards relating to the required course of study in health
18 economics, including length of course and course content, to be
19 undergone by the designated employees.

20 (b) The director of health shall design and implement a
21 monitoring program to ensure the application of the principles
22 of health economics by the designated employees in their



1 evaluations and decision-making with regard to the initiation
2 and operation of health care programs under the jurisdiction of
3 the department of health.

4 (c) The director of health shall provide consultation to
5 the mayors of the respective counties to designate key county
6 employees, set training standards, and design and implement
7 monitoring programs pursuant to section 3 of this Act.

8 (d) The training program of designated employees shall
9 terminate on June 30, 2009.

10 **SECTION 3. County departments of health; employee**
11 **designation; standards; monitoring; consultation; termination.**

12 (a) No later than September 20, 2006, in consultation with the
13 director of health, the mayors of the respective counties shall
14 designate key employees within the counties' respective
15 departments of health to undergo training in the principles of
16 health economics pursuant to section 4. No later than
17 October 31, 2006, in consultation with the director of health,
18 the mayors of the respective counties shall set training
19 standards relating to the required course of study in health
20 economics, including length of course and course content, to be
21 undergone by their respective designated employees.



1 (b) The mayors of the respective counties shall design and
2 implement, in consultation with the director of health, a
3 monitoring program to ensure the application of the principles
4 of health economics by their respective designated employees in
5 their evaluations and decision-making with regard to the
6 initiation and operation of health care programs under the
7 jurisdiction of the counties' respective departments of health.

8 (c) The training program of designated county employees
9 shall terminate on June 30, 2009.

10 SECTION 4. **Principles of health economics.** The director
11 of health, in implementing this Act, shall be guided by the
12 following principles of health economics, which incorporate an
13 analysis of:

14 (1) Different methods for dealing with different
15 situations such as:

16 (A) Cost vs. effectiveness methods;

17 (B) Cost minimization methods; and

18 (C) Fixed budget situation methods;

19 (2) Scale of investment;

20 (3) Time for savings;

21 (4) Issue of who pays compared to who saves;

22 (5) Possibility of diminishing returns;



1 (6) Ethical commitments; and

2 (7) Uncertainty of savings.

3 SECTION 5. **University of Hawaii.** The director of health
4 and the mayors of the respective counties may negotiate with the
5 University of Hawaii system to provide the required training in
6 health economics.

7 SECTION 6. **Report.** (a) Prior to December 31, 2008, the
8 director of health shall submit a preliminary report to the
9 legislature with regard to the effectiveness of the pilot
10 training program in health economics undergone by key employees
11 in the department of health and the counties' respective
12 departments of health.

13 (b) Prior to December 31, 2009, the director of health
14 shall submit a final report to the legislature with
15 recommendations on the suitability of the application of the
16 principles of health economics to the initiation and operation
17 of health programs.

18 SECTION 7. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$, or so much
20 thereof as may be necessary for fiscal year 2006-2007, for the
21 pilot training program in health economics for designated
22 employees of the department of health. The sum appropriated



1 shall be expended by the department of health for the purposes
2 of this Act.

3 SECTION 8. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$, or so
5 much thereof as may be necessary for fiscal year 2006-2007, as a
6 grant-in-aid for the pilot training program in health economics
7 for designated employees of the respective county departments of
8 health as follows:

- 9 City and County of Honolulu \$
- 10 County of Hawaii \$
- 11 County of Kauai \$
- 12 County of Maui \$

13 The sum appropriated shall be expended by the department of
14 health for the purposes of this Act.

15 SECTION 9. This Act shall take effect upon its approval
16 and shall be repealed on June 30, 2009, except that sections 7
17 and 8 shall take effect on July 1, 2006.

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JAN 25 2006



H.B. 3032

Report Title:

Health Economics; Health Programs

Description:

Creates 3-year pilot program to train designated key employees in the DOH and county health departments working in health-related programs. Appropriations. Repealed 6/30/2009.

