

JAN 25 2006

A BILL FOR AN ACT

RELATING TO QUEST.

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

1 SECTION 1. The cost of health care in Hawaii and the
2 nation is escalating exponentially, and medicaid reimbursements
3 are frequently less than the actual cost of care. In addition,
4 health insurance premium costs and prescription drug costs are
5 rising rapidly.

6 In recent years, some of the State's largest hospitals have
7 stated that consumers and employers will likely pay more for
8 labor costs through increased hospital fees and higher insurance
9 premiums while receiving fewer services in return.

10 In 2001, the Hawaii Medical Service Association raised
11 premium rates by approximately five per cent and Kaiser
12 Permanente raised its rates by just under nine per cent. In
13 April 2003, the Hawaii Medical Service Association filed
14 documents with the state insurance division asking for an
15 average rate increase of 11.5 per cent for its community-rated
16 groups.

17 In September 2003, Kaiser Permanente followed suit by
18 requesting a 14.5 per cent rate hike to finance multi-million



1 dollar new construction projects and a new medical records
2 system.

3 The increase in premium costs translates into increased
4 costs for employers. Under the State's Prepaid Health Care Act,
5 private-sector employers are required to pay the bulk of health
6 insurance premiums for their employees who work twenty hours or
7 more per week. Because the State's Prepaid Health Care Act does
8 not require employers to provide health insurance coverage for
9 employees working fewer than twenty hours a week, increased
10 health insurance costs offer incentives to employers to hire
11 individuals to work only part-time, or fewer than twenty hours
12 per week, to avoid higher costs.

13 Another factor of increasing health care costs is that
14 better technology is used in the treatment of illnesses. New
15 technology has greatly improved the quality of life for
16 patients. However, better technology costs more. It is
17 estimated that new technology is responsible for almost fifty
18 per cent of the total increase in health care over the last
19 thirty years.

20 While Hawaii was once known for having a small uninsured
21 population, between two and five per cent in 1994, health
22 agencies are now concerned about the growing number of uninsured



1 individuals in the State. The Healthcare Association of Hawaii
2 estimates that the current rate of uninsured individuals is ten
3 per cent of the State's population, or approximately one hundred
4 twenty-five thousand residents.

5 Increased health care costs, insurance premiums, employer
6 costs, prescription drug costs, and long-term care costs,
7 together with the growing number of uninsured individuals and
8 inadequate medicaid reimbursements, have created a need for new
9 and innovative approaches to provide affordable health care for
10 all of Hawaii's residents.

11 A key component to health insurance in the State has been
12 the QUEST program. Based on the state health insurance program
13 of the 1980s, QUEST provides high quality health care insurance
14 to low-income residents and those in the gap group whose incomes
15 are too high to be eligible for other federal and state
16 programs, but who are not covered under the Prepaid Health Care
17 Act.

18 When the QUEST program was established, it was believed
19 that by allowing all Hawaii residents who earn less than three
20 hundred per cent of the federal poverty level access to health
21 insurance, the entire uninsured population would be able to
22 obtain some form of health insurance coverage. However, due to



1 financial limitations, the three hundred per cent federal
2 poverty level eligibility requirement was restricted to apply
3 only to one hundred twenty-five thousand low-income residents.

4 Yet, since these changes were implemented, Hawaii's
5 uninsured population has continued to grow at an alarming rate,
6 increasingly straining the State's workforce and dependence on
7 social programs, as well as compounding the need to provide
8 financial assistance to public and private health care
9 institutions.

10 Accordingly, the purpose of this Act is to reinstate the
11 three hundred per cent federal poverty level eligibility
12 requirement for all residents with reasonable categorical
13 exclusions to ensure that those who need insurance will have
14 access to insurance through the QUEST program.

15 SECTION 2. **Non-financial eligibility.** (a) Applicants and
16 recipients under the QUEST program shall meet the basic
17 eligibility requirements, which include, but are not limited to,
18 United States citizenship or legal resident alien status, state
19 residency, not residing in a public institution, not residing or
20 being a patient of an institution for mental disease or
21 tuberculosis, and provision of a social security number.



1 (b) Any individual who meets the requirements of
2 subsection (a), and who is not ineligible to participate
3 pursuant to the categorical requirements of this Act, shall be
4 eligible to participate in the QUEST program, including
5 individuals who are recipients of financial assistance under the
6 general assistance program and recipients of Title VI-E foster
7 care maintenance payments who are eligible for medical
8 assistance.

9 SECTION 3. **Residency.** (a) For purposes of this Act, a
10 resident of the State of Hawaii is an individual who:

- 11 (1) Resides voluntarily in Hawaii with the intent to
12 remain permanently or indefinitely;
- 13 (2) Resides in Hawaii and for whom an adoption assistance
14 agreement is in effect under Title IV-E of the Social
15 Security Act, without regard to the state that entered
16 into the agreement with the individual;
- 17 (3) Resides in Hawaii and receives Title IV-E foster care
18 maintenance payments, without regard to the state that
19 makes the payments; or
- 20 (4) Receives state supplemental payments under the federal
21 supplemental security income program.



1 (b) An individual retains residence in a given state until
2 that individual abandons residence, such as, but not limited to,
3 the following situations:

4 (1) Voluntarily indicating intent not to return at the
5 point of or after leaving the state;

6 (2) Requesting to vote in another state or jurisdiction;
7 or

8 (3) Declaring and paying taxes as a resident of another
9 state.

10 (c) A resident who is eligible for medical assistance and
11 who is temporarily absent from the State, with the intention of
12 returning to Hawaii when the purpose of the absence has been
13 accomplished, shall not be deemed to have interrupted the
14 persons' state residency. Within ninety days of the date of the
15 person's departure, the Hawaii Health Alliance shall reevaluate
16 the individual's intent to return to the State.

17 (d) The state of residency for an individual who is
18 incapable of indicating intent:

19 (1) If the individual becomes incapable of indicating
20 intent before age twenty-one, shall be either:

21 (A) That of the individual's parents' or guardian, if
22 one has been appointed; or



1 (B) That of the parent applying for Hawaii health
2 alliance insurance on the individual's behalf, if
3 the parents reside in separate states and there
4 is no appointed guardian;

5 (2) If the individual becomes incapable of indicating
6 intent at or after age twenty-one, is the state in
7 which the individual was residing when the individual
8 became incapable of indicating intent; and

9 (3) If the individual is older than twenty-one years of
10 age, in all other cases, is the state in which the
11 individual is living with the intent to reside
12 permanently or indefinitely.

13 (e) For purposes of this section, an individual shall be
14 considered incapable of indicating intent when:

15 (1) The individual's intelligence quotient is forty-nine
16 or lower or the individual has a mental age of seven
17 or lower, based upon tests acceptable to the
18 department of health;

19 (2) The individual is judged legally incompetent; or

20 (3) Medical documentation or other documentation
21 acceptable to the Hawaii health alliance supports a

1 finding that the individual is incapable of indicating
2 intent.

3 (f) Medical assistance shall be provided to residents
4 temporarily absent from the State who meet all the conditions of
5 eligibility for medical assistance and require medical services
6 outside the State under circumstances where services were
7 emergent or when it would have been impractical to return to
8 Hawaii for the necessary medical services.

9 SECTION 4. **Residents of public institutions; eligibility.**

10 (a) The following individuals shall not be eligible to
11 participate in the QUEST program:

- 12 (1) An inmate in a public institution; and
- 13 (2) A resident or patient in an institution for mental
14 disease or tuberculosis.

15 (b) Notwithstanding subsection (a), an individual may be
16 eligible to participate in the program if the individual has
17 been paroled from a public institution or is on conditional
18 release or convalescent leave from an institution for mental
19 disease or tuberculosis.

20 (c) An inmate of a public institution may apply for the
21 QUEST program, but participation shall not begin until the
22 inmate has been discharged from the institution.

1 (d) An individual shall not be considered an inmate of a
2 public institution when the individual is in a public
3 educational or vocational training institution for purposes of
4 securing education or vocational training.

5 SECTION 5. **Categorical requirements.** Persons who are not
6 eligible to participate in the QUEST program include the
7 following groups of individuals:

- 8 (1) Persons who are age sixty-five or older;
- 9 (2) Persons who are blind or disabled according to the
10 criteria employed by the Social Security
11 Administration;
- 12 (3) Persons who are age eighteen but under age sixty-five,
13 employed, and receive employer sponsored health care
14 coverage through their employer in accordance with
15 chapter 393, Hawaii Revised Statutes; provided that
16 this paragraph shall apply to affected employed
17 persons and not to their dependent family members; and
18 provided further that this paragraph shall not apply
19 to individuals and families covered under the
20 provisions of section 1931 of the Social Security Act,
21 general assistance recipients of financial assistance,
22 and recipients of transitional medical assistance.

1 SECTION 6. **Subsidies.** (a) Except for individuals in
2 subsection (c) who shall receive full subsidies, the department
3 of human services shall establish sliding-scale partial
4 subsidies for participants of the QUEST program for the purchase
5 of health insurance coverage paid by individuals or employees
6 whose income is under three hundred per cent of the federal
7 poverty level.

8 (b) Assets shall be evaluated in the determination of
9 financial eligibility for subsidies in the following manner:

10 (1) Assets shall be evaluated for an individual or family,
11 excluding assets of pregnant women and children under
12 the age of nineteen;

13 (2) An individual or family subject to the asset
14 determination, whose total countable assets exceed the
15 personal reserve standard, shall be ineligible for
16 subsidies; and

17 (3) The following personal reserve standard shall apply:

18 (A) For an individual or a couple applying for or
19 receiving a subsidy, the personal reserve
20 standard shall be equal to the standard employed
21 by the federal supplemental security income
22 program; and



1 (B) For each additional family member, \$250 shall be
2 added to the federal supplemental security income
3 personal reserve standard for a couple; provided
4 that the resultant amount shall be the standard
5 for that family;

6 (c) An individual or family whose monthly countable family
7 income does not exceed the following income limits shall be
8 financially eligible for a full subsidy:

9 (1) A pregnant woman whose income does not exceed one
10 hundred eighty-five per cent of the federal poverty
11 level for a family size that includes the number of
12 unborn children expected;

13 (2) An infant under one year of age whose family income
14 does not exceed one hundred eighty-five per cent of
15 the federal poverty level for a family of applicable
16 size;

17 (3) A child age one but under age six whose family income
18 does not exceed one hundred thirty-three per cent of
19 the federal poverty level for a family of applicable
20 size; and



1 (4) Any other individual whose income does not exceed one
2 hundred per cent of the federal poverty level for a
3 family of applicable size.

4 (d) A woman whose eligibility is established under
5 subsection (c)(1), shall retain her eligibility for a full
6 subsidy throughout her pregnancy and for a sixty-day period
7 following childbirth until the end of the month in which the
8 sixty-day period ends. The woman's eligibility for a full
9 subsidy shall be redetermined for the first month following the
10 month in which the sixty-day period ends.

11 (e) For any newborn who is added to a Hawaii health
12 alliance insurance recipient household, eligibility for a
13 partial or full subsidy shall continue for a period of one year
14 following the birth of the newborn; provided the following
15 conditions are met:

16 (1) The newborn continues to be a member of the mother's
17 household; and

18 (2) The mother remains eligible for a partial or full
19 subsidy or would have remained eligible if she were
20 still pregnant.



1 The newborn's eligibility for a subsidy shall be determined for
2 the first month following the month in which a child attains one
3 year of age.

4 (f) Eligibility shall be redetermined for the first month
5 following the month in which a child will attain the maximum
6 age, for a child whose eligibility for a full subsidy is
7 established under subsections (c) (2) and (3);

8 (g) An uninsured individual under age nineteen whose
9 monthly countable income exceeds the appropriate income limit
10 under subsection (c) but does not exceed two hundred per cent of
11 the federal poverty level for a family of applicable size shall
12 be financially eligible for a partial subsidy.

13 (h) For an applicant or recipient, eligibility for a
14 subsidy shall be determined when any of the following conditions
15 are met:

16 (1) The applicant or recipient has monthly countable
17 income that exceeds the appropriate income limit under
18 subsections (c) or (g); or

19 (2) The applicant meets any of the categorical
20 requirements for ineligibility pursuant to this Act.

21 (i) The countable family income shall be determined in the
22 following manner:



1 (1) For a pregnant woman and a child under nineteen years
2 of age who is born after September 30, 1983:

3 (A) Subtract a standard deduction of ninety dollars
4 from the monthly gross earned income of each
5 employed individual; and

6 (B) Add the monthly net earned income for each
7 employed individual as well as any monthly
8 unearned income to determine the countable family
9 income; and

10 (2) For all other family members, add the monthly gross
11 earned income of each employed person and any monthly
12 unearned income.

13 (j) When determining the financial eligibility of
14 applicants for a specific calendar month, the applicant's total
15 countable family income for that month shall be used, regardless
16 of the date of application.

17 (k) A prospective budgeting method employing the
18 department's best estimate of family size, income, and any other
19 relevant factor shall be used in determining continued
20 eligibility for subsidies.

21 (l) When determining the premium share for applicants or
22 recipients of health insurance under the QUEST program, the



1 total countable family income for a month shall be rounded down
2 to the next lower whole dollar and compared to the federal
3 poverty level.

4 SECTION 7. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$, or so
6 much thereof as may be necessary for fiscal year 2006-2007, for
7 subsidizing health insurance coverage for uninsured residents of
8 the State who earn less than three hundred per cent of the
9 federal poverty level.

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

12 SECTION 8. This Act does not affect rights and duties that
13 matured, penalties that were incurred, and proceedings that were
14 begun, before its effective date.

15 SECTION 9. This Act shall take effect on July 1, 2006.

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Report Title:

QUEST; Health Insurance; Subsidy; 300% Federal Poverty Level

Description:

Requires the department of human services to subsidize health insurance coverage for uninsured residents of the State of Hawaii who earn less than 300% of the federal poverty level.

