

JAN 19 2007

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# 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.



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

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

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

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



1           The annual high increase in premium costs translates into  
2 increased employer costs. Under the Prepaid Healthcare Act,  
3 private-sector employers are required to pay health insurance  
4 premiums equal to the amount of the premium that exceeds the cap  
5 on employee contributions of one and one-half per cent of a  
6 full-time employee's pay. Public employers generally pay even  
7 more because of their exemption from Prepaid Healthcare Act and  
8 must negotiate with their employees for employer-provided family  
9 healthcare insurance.

10           The Prepaid Healthcare Act does not require employers to  
11 provide health insurance coverage for employees working less  
12 than twenty hours per week. Increasing health insurance costs  
13 prompted some employers to hire individuals to work only part-  
14 time, or less than twenty hours per week, to avoid having to pay  
15 for employee healthcare benefits under the Prepaid Healthcare  
16 Act.

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



1 bankruptcy protection because of medical problems have health  
2 insurance.

3       The legislature further finds that Canada has for many  
4 years had a tried, tested, and true universal publicly  
5 administered healthcare-for-all healthcare insurance model with  
6 one payout agency for caregivers and providers. A variation of  
7 this very successful system adapted to meet the unique  
8 conditions in Hawaii would be very beneficial for the following  
9 reasons:

- 10       (1) For union members and their employers, it means taking  
11       healthcare off the negotiating table;
- 12       (2) For patients, as taxpayers and insurance premium-  
13       payers, it means significant reductions in overall  
14       costs, increases in benefits, and the slowing of  
15       annual inflation cost increases. It also means a  
16       transition from increasingly uncaring profit-driven  
17       healthcare to the restoration of human-need driven  
18       mutually respectful and caring patient-doctor-nurse-  
19       and other caregiver relationships, which in earlier  
20       times were fundamental to meaningful healthcare;
- 21       (3) For businesses, large and small, it reduces  
22       significant overhead expenses;



- 1           (4) For the local economy, it means keeping almost all  
2           healthcare dollars in the State;
- 3           (5) For government, it means having one integrated  
4           electronic health information database for  
5           unprecedented planning and cost-containment  
6           capabilities. It also means relief from the perceived  
7           emerging problem of "unfunded liabilities" associated  
8           with long-term funding of government retiree lifetime  
9           healthcare benefits;
- 10          (6) For physicians, nurses, and other caregivers, it means  
11          less paperwork, much less work stress, and much more  
12          time with patients;
- 13          (7) For hospitals, community health clinics, home-care  
14          providers, and long-term care facilities, it means  
15          sufficient and dependable annual financing through  
16          global budgets; and
- 17          (8) For the general public, it means accessible and  
18          affordable healthcare for every person, and relief  
19          from the increasing stresses of constant worry over  
20          the instability of healthcare coverage.



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

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

7 SECTION 2. The Hawaii Revised Statutes is amended by  
8 adding a new chapter to be appropriately designated and to read  
9 as follows:

10 "CHAPTER

11 SINGLE-PAYER UNIVERSAL HEALTHCARE SYSTEM

12 § -1 Definitions. Unless otherwise clear from the  
13 context, as used in this chapter:

14 "Authority" means the authority.

15 "Central unified electronic health information system  
16 database," means a primary, computerized electronic health  
17 information system to store and access medical records for the  
18 statewide single-payer universal healthcare insurance system.

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



1 "Global budget" means the annual or monthly lump sum that  
2 the authority pays each hospital, community health clinic, home-  
3 care agency, and long-term care facility to cover all operating  
4 expenses.

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

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

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

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

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



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

3 "Universal" means healthcare for all of Hawaii's permanent  
4 residents.

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

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

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

21 (1) "Universal" the State of Hawaii single-payer universal  
22 healthcare insurance system finances "healthcare-for-





1 all" which means quality healthcare is "universally  
2 available" on a "prepaid" basis to permanent  
3 residents;

- 4 (2) "Prepaid" - Hawaii's state-funded single-payer  
5 healthcare-for-all insurance system that provides  
6 medically-necessary healthcare services without fees,  
7 co-payments, or deductibles at the time of healthcare  
8 need. The system operates on a "pay-as-we-go" basis.  
9 Income and other taxes are collected by the system on  
10 an ongoing basis through payroll deduction and/or at  
11 retail checkout counters, or through other appropriate  
12 revenue raising methods, including existing funding  
13 from federal and State; including but not limited to  
14 medicare/medicaid, and prepaid health care act funds,  
15 and employee union trust fund funds, until full  
16 transition is completed, as the funds for pre-paying  
17 for healthcare services when they are needed. Persons  
18 with healthcare needs may present their healthcare  
19 registration cards to receive medically necessary  
20 healthcare services without ever seeing a bill for  
21 them. This represents great savings over previous  
22 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 system-wide  
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, 2007, the authority,  
13 as soon as possible upon taking office shall move to organize  
14 according to this Act and in that process to assume the  
15 functions of the state health planning and development agency,  
16 which are transferred to the authority, as well as the  
17 responsibilities associated with being the new State of Hawaii  
18 liaison with the centers for medicare and medicaid services and  
19 other federal healthcare agencies, and to assume prepaid health  
20 care act functions and the Hawaii employer union health benefits  
21 trust fund. The latter two functions shall be maintained intact



1 and stable until the full integration of each into the system  
2 can be completed by the authority.

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

6 (1) Start-up and maintain a trust fund comprised of a pay-  
7 as-we-go transfer payments system and contingencies  
8 and restraining reserve fund;

9 (2) Negotiate and receive all federal, state, and other  
10 appropriate healthcare revenue;

11 (3) Assess temporary progressive income and general excise  
12 surtaxes for start-up and on-going maintenance of the  
13 system, based on the medically necessary requirements  
14 of healthcare for all Hawaii residents; and for  
15 emergency costs as necessary, for instance, during  
16 epidemic or other medical catastrophe;

17 (4) Be the single-payer of universal healthcare financing  
18 (the one payout agency) for Hawaii;

19 (5) Hire a chief executive officer who will be accountable  
20 to the authority trustees for the development and  
21 success of the single-payer universal healthcare  
22 system; and



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1 (6) Conduct a continuous and ongoing program of  
2 enrollment.

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

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

9 SECTION 3. This Act shall take effect upon its approval.

10

INTRODUCED BY:  By Request



**Report Title:**

Healthcare; Universal

**Description:**

Establishes agency to operate a single-payer universal healthcare insurance system.

