

JAN 24 2007

A BILL FOR AN ACT

RELATING TO UNIVERSAL HEALTH CARE.

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 health care
4 insurance coverage. Health care 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 health care 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 health care delivery, onerously bureaucratic, and
13 generally economically irrational. Additionally, health care
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 health care 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 health care the most, to the taxpayers;
- 7 (2) The lack of a central electronic health care 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 Health care Act. In 1994 Hawaii had
13 a low uninsured population of between two and five per cent.
14 But, the crisis in health care on the United States continent
15 began coming to Hawaii.

16 Today, more than one hundred thousand Hawaii residents are
17 without any health care 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 Health care 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 half per cent of a full-
6 time employee's pay. Public employers generally pay even more
7 because of their exemption from the Prepaid Health care Act and
8 must negotiate with their employees for employer-provided family
9 health care insurance.

10 The Prepaid Health care 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 health care benefits under the Prepaid Health care
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 health care-for-all health care insurance model
6 with one payout agency for caregivers and providers. A
7 variation of this very successful system adapted to meet the
8 unique conditions in Hawaii would be very beneficial for the
9 following reasons:

- 10 (1) For union members and their employers, it means taking
11 health care 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 health care 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 health care;
- 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 health care 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 health care 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 health care for every person, and relief
19 from the increasing stresses of constant worry over
20 the instability of health care coverage.



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

4 The purpose of this Act is to create a unified, single-
5 payer, universal health care 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 HEALTH CARE 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 state-wide single-payer universal health care insurance system.

19 "County health care review boards" means the county bodies
20 tasked with continuously monitoring health care conditions, to
21 assist the authority to maximize the efficiency and cost-
22 effectiveness of a single-payer universal health care 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 "Health care registration cards" means a personalized
6 medical identification card showing that a permanent resident is
7 covered by the single-payer universal health care system.

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

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

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

20 "Single-payer universal health care insurance system" means
21 covering all permanent residents of the State of Hawaii.



1 "State health care insurance planning and financing
2 authority" means the administrator of the universal single-payer
3 health care insurance system for the state of Hawaii.

4 "Universal" means health care for all of Hawaii's permanent
5 residents.

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

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

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



- 1 (1) "Accessible" means there is accessibility to one high-
2 quality level of health care-for-all without income or
3 other barriers;
- 4 (2) "Central unified electronic health information system
5 database" means the State of Hawaii single-payer
6 universal health care insurance system collects and
7 maintains in real-time an up-to-the-minute single
8 central database for comprehensive, complete, and
9 accurate electronic health care information. This is
10 a very significant major source of savings and cost-
11 containment which makes the low-cost financing of
12 comprehensive single-payer universal health care
13 possible. This unified high-tech health information
14 system, for instance, enables:
- 15 (A) Accurate future projections;
- 16 (B) Unprecedented planning and cost-containment
17 capabilities;
- 18 (C) Early detection of medical mistakes, malpractice
19 and fraud; and
- 20 (D) Early system-wide sharing of emerging "best
21 practices";



- 1 (3) "Choice" means patients have their choice of
2 physician, dentist, and other single-payer universal
3 health care system caregivers;
- 4 (4) "Comprehensive" means the State of Hawaii single-payer
5 universal health care insurance system is
6 "comprehensive" in that it covers all medically
7 necessary hospital, physician, dentist, home-care, and
8 long-term care services for every Hawaii permanent
9 resident;
- 10 (5) "County health care review boards" are elected,
11 independent bodies established by each county
12 government, along the lines of Oahu's elected
13 neighborhood board system, to continuously monitor
14 health care conditions in their respective counties to
15 assist the authority in making the State of Hawaii's
16 single-payer universal health care insurance system
17 fit the specific health care needs of each island;
- 18 (6) "Fiscal firewall" is the operative term throughout
19 Hawaii's single-payer universal health care system;
20 but, nowhere more so than in regard to the funding of
21 the system. The autonomous authority oversees and



1 maintains the universal health care provision fund,
2 which is completely independent of the state budget;
3 (7) "Global budgets" means the authority pays each
4 hospital, community health clinic, home-care agency,
5 and long-term care facility an annual or monthly
6 global lump sum to cover all operating expenses - that
7 is, a global budget. Hospitals, long-term care
8 facilities, and home-care agencies, and the authority
9 negotiate the amount of these payments annually, based
10 on past expenditures, previous financial and clinical
11 performance, projected changes in levels of services,
12 wages and input costs, and proposed new and innovative
13 programs. Hospitals, long-term care facilities, and
14 home-care agencies may not bill for non-operating
15 expenses. Hospitals, long-term care facilities, and
16 home-care agencies may not use any of their operating
17 budget for expansion, profit, excessive executives'
18 incomes, marketing, or major capital purchases or
19 leases. Major capital expenditures come from the
20 universal health care provision fund, but will be
21 appropriated separately based upon community needs.
22 Investor-owned hospitals will be converted to not-for-



1 profit status, and their owners compensated for past
2 investment. Global budgets for institutional
3 providers eliminate billing, while providing a
4 predictable and stable financial support;

5 (8) "Health care registration cards" means eligible health
6 care users of the State of Hawaii single-payer
7 universal health care insurance system shall register
8 with the system and be issued a lifetime individual
9 identification number and a health care registration
10 card to be able to access system health care. Newborn
11 citizens will be registered at birth, in most cases by
12 the facility where the birth occurs.

13 (9) "High-quality" means the standard of the single-payer
14 universal health care system provides uniform, high-
15 quality, system wide health care;

16 (10) "Lifetime individual identification number" means the
17 authority systematically registers each and every
18 Hawaii permanent resident with an assigned lifetime
19 identification number so that they are covered by the
20 system and issues to them a single-payer universal
21 health care system health care user card. Also, this
22 is the first step in bringing all of Hawaii's health



1 care information into one secure, constantly updated,
2 central unified electronic, computerized health
3 information system database;

4 (11) "Medically necessary" means procedures, treatments,
5 and other services that are primarily the
6 responsibility of physicians and other qualified
7 health care practitioners according to well-
8 established best practices which are recognized by the
9 authority. In addition, the county health care review
10 boards shall assess which prescription drugs,
11 appliances, services, and delivery modes are medically
12 necessary or effective and accordingly, make their
13 recommendations to the authority;

14 (12) "Pay-as-we-go" means health care funding is raised
15 each ongoing month and insurance claims are paid-out
16 as soon as practicable, for those needing medically
17 necessary health care;

18 (13) "Portable" means single-payer universal health care
19 system coverage is portable for permanent residents
20 within and outside the State of Hawaii. Portability
21 applies primarily between islands and counties. Also,
22 portability within the state means that when employees



1 change employers there is no problem with having to
2 change health care plans. This Act also entitles
3 Hawaii permanent residents to "receive medically
4 necessary services in relation to an emergency when
5 absence from the State is temporary, such as on
6 business or vacation";

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



1 necessary health care services without ever seeing a
2 bill for them. This represents great savings over
3 previous billing processes;

4 (15) "Publicly administered" means the State of Hawaii
5 single-payer universal health care insurance system
6 shall be maintained and administered by an elected
7 authority;

8 (16) "Publicly funded" means health care insurance premiums
9 are directly and indirectly collected through taxes or
10 other authority revenue-raising measures to be
11 deposited immediately into the State's universal
12 health care provision fund. It is used by the
13 authority to collect and pay out health care insurance
14 claims and global budget funds to institutional
15 providers on a pay-as-we-go basis or allocated as
16 needed into the universal health care provision fund
17 health care pay-outs reserve or both. There shall be
18 a fiscal firewall between the universal health care
19 provision fund and the state budget;

20 (17) "Retraining fund" collected as part of the universal
21 health care provision fund. The purpose is to provide
22 cost-effective funding for health field workers



1 displaced by the transition to the single-payer
2 universal health care system;
3 (18) "Single-payer" means financing of Hawaii's health
4 care-for-all system shall be publicly funded and
5 health care insurance claims shall be paid out to
6 doctors, dentists, hospitals, and other eligible
7 caregivers and providers by the single pay-out
8 government agency, or the authority, on a "pay-as-we-
9 go" basis;

10 (19) "Universal" means the State of Hawaii single-payer
11 universal health care insurance system finances
12 "health care-for-all" which means quality health care
13 is "universally available" on a "prepaid" basis to
14 permanent residents; and

15 (20) "Universal health care provision fund" is fundamental
16 to the single-payer universal health care system and
17 is used by the authority to collect and pay out health
18 care insurance claims and global budget funds to
19 institutional providers on a pay-as-we-go basis or to
20 be allocated as needed into the universal health care
21 provision fund health care pay-outs reserve. Part of
22 the purpose of the reserve fund is to provide



1 retraining grants. The other part is for health care
2 related contingencies to build capital improvement
3 support funding.

4 **§ -4 State health care insurance planning and financing**

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

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

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



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

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

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

10 (d) The authority, within thirty days upon taking office,
11 shall move to organize according to the provisions of this Act
12 and in that process to assume the functions of the state health
13 planning and development agency, which are hereby transferred to
14 the authority, as well as the responsibilities associated with
15 being the new State of Hawaii liaison with the centers for
16 medicare and medicaid services and other federal health care
17 agencies, and to assume prepaid health care act functions and
18 the Hawaii employer union health benefits trust fund. The
19 latter two functions shall be maintained intact and stable until
20 the full integration of each into the system can be completed by
21 the authority.



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

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

7 (2) Negotiate and receive all federal, state, and other
8 appropriate health care revenue;

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

15 (4) Be the single-payer of universal health care financing
16 (the one payout agency) for Hawaii;

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

21 (6) Conduct a continuous and ongoing program of
22 enrollment.



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

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

7 SECTION 3. This Act shall take effect on July 1, 2007.

8

INTRODUCED BY: Clarence W. Fickel S/R



Report Title:

Health Care; Universal; Single-payer

Description:

Establishes an agency to operate a single-payer universal health care insurance system.

