



GOV. MSG. NO. 616

EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

June 2, 2010

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
Twenty-Fifth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

This is to inform you that on June 2, 2010, the following bill was signed into law:

SB2885 SD2 HD1 CD1

A BILL FOR AN ACT  
RELATING TO HEALTH SAVINGS ACCOUNTS.  
ACT 158 (10)

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

Approved by the Governor

on JUN 2 2010

THE SENATE  
TWENTY-FIFTH LEGISLATURE, 2010  
STATE OF HAWAII

**ACT 158**  
**S.B. NO.** 2885  
S.D. 2  
H.D. 1  
C.D. 1

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# A BILL FOR AN ACT

RELATING TO HEALTH SAVINGS ACCOUNTS.

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

1           SECTION 1. Health savings accounts are an encouraging  
2 development in the health insurance market, creating a new  
3 opportunity for affordable coverage and engaging patients as  
4 partners in managing costs and achieving high value in health  
5 care spending.

6           Health savings accounts combine a tax-advantaged savings  
7 account earmarked for medical expenses with a high-deductible  
8 health insurance plan. Lower insurance premiums offset, in part  
9 or in full, the amount used to fund the account, which, in turn,  
10 are used to pay expenses before the deductible is met.

11           Health savings account funds belong to the account holder,  
12 and unspent balances accumulate and accrue interest tax-free  
13 from year to year. After health care costs reach the high  
14 deductible, health plan benefits begin, typically through a  
15 preferred provider organization, with little to no cost-sharing  
16 and limits on total out-of-pocket expenses.

17           Because patients using health savings account funds are  
18 literally spending their own money, they have greater control



1 over their health care decisions, while assuming greater  
2 financial responsibility for those decisions. Furthermore,  
3 because patients are spending their own money before the  
4 deductible is met, high deductibles shift the locus of cost-  
5 consciousness, and thus decision-making, from third-party payers  
6 to patients and those who care for them. Such cost-  
7 consciousness is a welcome antidote to the widening divide  
8 between public expectations and rising health care costs and  
9 could lessen the need for heavy-handed managed care or  
10 government controls. Health savings accounts encourage patients  
11 to comparison shop among treatment options, as well as among  
12 physicians and hospitals. A critical mass of savvy shoppers is  
13 needed to make health care markets more responsive for everyone.

14 In addition, health savings accounts provide a health  
15 coverage option to those who prefer to purchase true insurance  
16 protection against the financial consequences of low-  
17 probability, high-cost events, rather than coverage that, to a  
18 large extent, amounts to prepayment of anticipated and routine  
19 health care. High deductibles keep premiums down, bringing  
20 coverage within reach for many low-income individuals and  
21 families.



1           Several features of health savings accounts protect against  
2 inappropriate underutilization of care. The savings account  
3 itself allows enrollees to set aside money to pay for medical  
4 expenses, particularly expenses incurred before the deductible  
5 has been met. Federal law requires health savings account  
6 high-deductible health plans to provide a stop-loss limit on  
7 patient out-of-pocket expenses. A person with a chronic or  
8 expensive medical condition could find a health savings account  
9 more affordable than conventional coverage because of the  
10 premium savings, out-of-pocket spending limits, and tax  
11 advantages, in addition to greater control over health care  
12 decisions.

13           Although more evidence is needed on the actual impact of  
14 health savings accounts on patient behavior and on mechanisms  
15 through which such an impact occurs, health savings account  
16 coverage may encourage patients to seek health information that  
17 prompts greater use of preventive services or adoption of  
18 healthy lifestyle habits. Health savings accounts could also  
19 increase aversion to behavior that may create future chronic  
20 conditions that are expensive to treat.

21           It is imperative that health care leaders come together to  
22 discuss ways in which health savings accounts can assume a more



1 meaningful role in health care coverage in Hawaii. Under the  
2 Hawaii Prepaid Health Care Act, the director of labor and  
3 industrial relations, after advice from the prepaid health care  
4 advisory council, determines whether the benefits that are  
5 provided in a prepaid health care plan offered by a Hawaii  
6 employer comply with specified standards. Issues with the  
7 Hawaii Prepaid Health Care Act need to be addressed to determine  
8 the role of health savings accounts in Hawaii's health insurance  
9 market. Health savings accounts are currently an option under  
10 the Hawaii employer-union health benefits trust fund, as well as  
11 an option for sole proprietors, self-employed individuals, and  
12 those working as part-time employees.

13 The rapidly rising cost of health care is crippling  
14 businesses, forcing layoffs and pay reductions. It is important  
15 that businesses and health care consumers have access to all  
16 health plan options to lower costs and increase the quality of  
17 care. Allowing consumers to enroll in a health savings account  
18 will help lower the cost of health care, encourage healthier  
19 lifestyles, provide greater patient and physician control of  
20 health care decisions, and save money for employers and  
21 employees alike.



1 The purpose of this Act is to establish a task force to  
2 evaluate the current state of health savings accounts options in  
3 Hawaii's health insurance market, and to explore ways to expand  
4 access to these accounts in Hawaii.

5 SECTION 2. (a) There is established the health savings  
6 accounts assessment task force within the department of labor  
7 and industrial relations for administrative purposes and  
8 consisting of the following members:

- 9 (1) The director of labor and industrial relations, who  
10 shall appoint the task force members by August 1,  
11 2010;
- 12 (2) Two members of the Hawaii prepaid health care advisory  
13 council;
- 14 (3) One member or employee of the Hawaii Medical  
15 Association;
- 16 (4) Two representatives from the health insurance  
17 industry;
- 18 (5) Two representatives from non-government employee  
19 unions;
- 20 (6) One representative from the Hawaii Credit Union  
21 League;



1 (7) One representative from the Hawaii Bankers  
2 Association; and

3 (8) Two representatives from other interested  
4 organizations or stakeholders, at the discretion of  
5 the director of labor and industrial relations.

6 The task force shall elect from among its members a  
7 chairperson and any other officers it deems necessary. Members  
8 of the task force shall not be compensated.

9 The task force shall convene its initial meeting no later  
10 than twenty days after the director of labor and industrial  
11 relations has appointed all of the members of the task force.

12 (b) The task force shall:

13 (1) Study the current state of health savings account  
14 options in Hawaii's health insurance market;

15 (2) Establish a plan of action to encourage and expand the  
16 use of health savings accounts in Hawaii, including  
17 potential amendments to the Hawaii Revised Statutes;

18 (3) Identify and recruit health plans that may help expand  
19 the availability of health savings accounts in Hawaii;

20 (4) Assess the potential economic impact, including costs  
21 and benefits, of expanding health savings account  
22 options in Hawaii, and estimate the potential monetary



1 savings for individuals and employers who are offered  
2 health savings accounts; and

3 (5) Work to develop a way to implement flexible spending  
4 accounts for employee benefit programs that provide a  
5 tax deferred method of payment for eligible health  
6 care expenses and dependent care expenses by directing  
7 pre-tax money from an employee's paycheck into  
8 flexible spending accounts, and providing that money  
9 left in the flexible spending accounts after all  
10 reimbursements have been processed may be carried  
11 forward to the next plan year.

12 For the purposes of this subsection, "health savings account"  
13 means a tax-deferred personal savings account, as set forth in  
14 Internal Revenue Code Section 223, linked to a high-deductible  
15 health insurance plan and to which employers, sole proprietors,  
16 labor unions, or employees may contribute funds for medical  
17 expenses.

18 (c) The task force shall submit to the legislature,  
19 through the department of labor and industrial relations, its  
20 findings and recommendations, including any proposed  
21 legislation, no later than twenty days prior to the convening of  
22 the 2011 regular session.





1 (d) The task force shall cease to exist on June 30, 2011.

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

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APPROVED this 2 day of JUN, 2010



GOVERNOR OF THE STATE OF HAWAII