

JAN 27 2010

---

---

# 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 (HSAs) are an  
2 encouraging development in the health insurance market, creating  
3 a new opportunity for affordable coverage and engaging patients  
4 as partners in managing costs and achieving high value in health  
5 care spending.

6           HSAs combine a tax-advantaged savings account earmarked for  
7 medical expenses with a high-deductible health insurance plan  
8 (HDHP). Lower insurance premiums offset, in part or in full,  
9 the amount used to fund the account, which in turn can be used  
10 to pay expenses before the deductible has been met.

11           HSA funds belong to the account holder, and unspent  
12 balances accumulate and accrue interest, tax-free, from year to  
13 year. When health care costs meet the high deductible, health  
14 plan coverage applies, typically in the form of a preferred  
15 provider organization, with little to no cost-sharing and limits  
16 on total out-of-pocket expenses.

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



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

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

20 Several features of HSAs protect against inappropriate  
21 underutilization of care. The savings account itself allows  
22 enrollees to set aside money to pay for medical expenses,



1 particularly expenses incurred before the deductible has been  
2 met. Federal law requires HSA high-deductible health plans to  
3 provide a stop-loss limit on patient out-of-pocket expenses.  
4 Someone with a chronic or expensive medical condition could find  
5 an HSA more affordable than conventional coverage because of the  
6 premium savings, out-of-pocket spending limits, and tax  
7 advantages, in addition to greater control over health care  
8 decisions.

9 HSA coverage may encourage patients to seek health  
10 information that, in turn, prompts greater use of preventive  
11 services or adoption of healthy lifestyle habits. HSAs could  
12 also increase aversion to future costs of expensive or chronic  
13 conditions. In any case, more evidence is needed on the actual  
14 impact of HSAs on patient behavior, and on mechanisms through  
15 which such impact occurs.

16 It is imperative that health care leaders come together to  
17 discuss ways in which HSAs can assume a more meaningful role in  
18 health care coverage in Hawaii. Under the Hawaii Prepaid Health  
19 Care Act, all health insurance plans offered by Hawaii employers  
20 must be approved as a qualified plan by the state Hawaii Prepaid  
21 Health Care Council. Issues with the Hawaii Prepaid Health Care  
22 Act need to be addressed in order to determine the role of HSAs



1 in Hawaii's health insurance market. HSAs are currently an  
2 option under the Hawaii Employer-Union Health Benefits Trust  
3 Fund, as well as an option for sole proprietors, self-employed  
4 individuals, and those working as part-time employees.

5 The rapidly rising cost of health care is crippling  
6 businesses, forcing layoffs and pay reductions. It is important  
7 that businesses and health care consumers have access to all  
8 health plan options to lower costs and increase quality of care.  
9 Allowing consumers to enroll in a health savings account will  
10 help lower the cost of health care, encourage healthier  
11 lifestyles, provide greater patient and physician control of  
12 health care decisions, and save money for employers and  
13 employees alike.

14 The purpose of this Act is to establish a task force to  
15 evaluate the current state of health savings accounts options in  
16 Hawaii's health insurance market and to explore ways to expand  
17 access to these accounts in Hawaii.

18 SECTION 2. (a) There is established the health savings  
19 accounts assessment task force within the department of labor  
20 and industrial relations for administrative purposes and  
21 consisting of the following members:



- 1 (1) The director of labor and industrial relations, who
- 2 shall appoint the task force members by August 1,
- 3 2010;
- 4 (2) Four members of the Hawaii Prepaid Health Care
- 5 Advisory Council;
- 6 (3) Three members or employees of the Hawaii Medical
- 7 Association;
- 8 (4) Three representatives from the health insurance
- 9 industry;
- 10 (5) Four representatives from non-government employee
- 11 unions;
- 12 (6) One representative from First Hawaiian Bank; and
- 13 (7) Four representatives from other interested
- 14 organizations or stakeholders, at the discretion of
- 15 the director of labor and industrial relations.

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

19 The task force shall convene its initial meeting no later  
20 than twenty days after the director of labor and industrial  
21 relations has appointed all of the members of the taskforce.

22 (b) The task force shall:

- 1           (1) Study the current state of health savings accounts  
2                   options in Hawaii's health insurance market;
- 3           (2) Establish a plan of action to encourage and expand the  
4                   use of health savings accounts in Hawaii, including  
5                   potential amendments to the Hawaii Revised Statutes;
- 6           (3) Identify and recruit health plans that may help expand  
7                   the availability of health savings accounts in Hawaii;  
8                   and
- 9           (4) Assess the potential economic impact, including costs  
10                   and benefits, of expanding health savings accounts  
11                   options in Hawaii, and estimate the potential monetary  
12                   savings for individuals and employers who are offered  
13                   health savings accounts.

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

20           (c) The task force shall submit to the legislature,  
21 through the department of labor and industrial relations, its  
22 findings and recommendations, including any proposed



1 legislation, no later than twenty days prior to the convening of  
2 the 2011 regular session.

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

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

5

INTRODUCED BY: David Y. Lee



**Report Title:**

Health Savings Accounts; High-Deductible Health Plans; Task Force

**Description:**

Establishes a task force to evaluate the current state of health savings accounts options in Hawaii's health insurance market and to explore ways to expand access to these accounts in Hawaii.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

