
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.

3



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.
(CD1)

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