
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 plan market, creating a
3 new opportunity for affordable coverage and engaging patients as
4 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 plan (HDHP).
8 Lower premiums offset, in part or in full, the amount used to
9 fund the account, which in turn can be used to pay expenses
10 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 HDHP coverage applies,
14 typically in the form of a preferred provider organization, with
15 little to no cost-sharing and limits on total out-of-pocket
16 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 to 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 use
21 of health care services. 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 HDHPs with HSA high-deductible health
3 plans to provide a stop-loss limit on patient out-of-pocket
4 expenses. Someone with a chronic or expensive medical condition
5 could find an HSA more affordable than conventional coverage
6 because of the premium savings, out-of-pocket spending limits,
7 and tax advantages, in addition to greater control over health
8 care 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 Health care leaders must come together to discuss ways in
17 which HSAs can assume a more meaningful role in health care
18 coverage in Hawaii. Under the Hawaii Prepaid Health Care Act,
19 all prepaid health care plans offered by Hawaii employers must,
20 as a plan, provide the mandatory benefits of the Act. Issues
21 with the Hawaii Prepaid Health Care Act need to be addressed to
22 determine the role of HSAs in Hawaii's health plan market. HSAs



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

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

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

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



- 1 (1) The director of labor and industrial relations, who
2 shall appoint the task force members by January 1,
3 2011;
- 4 (2) Two members of the Hawaii Prepaid Health Care Advisory
5 Council;
- 6 (3) Two members or employees of the Hawaii Medical
7 Association;
- 8 (4) Two representatives from the health insurance
9 industry;
- 10 (5) Two representatives from non-government employee
11 unions;
- 12 (6) Two representatives from the banking industry; and
- 13 (7) Two representatives from community not-for-profit
14 organizations or stakeholders, to be assigned at the
15 discretion of the director of labor and industrial
16 relations.

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

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



1 (b) The task force shall:

2 (1) Study the current state of health savings accounts
3 options in Hawaii's health insurance market;

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

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

10 (4) Assess the potential economic impact, including costs
11 and benefits, of expanding health savings accounts
12 options in Hawaii, and estimate the potential monetary
13 savings for individuals and employers who are offered
14 health savings accounts.

15 For the purposes of this subsection, "health savings account"
16 means a tax-deferred personal savings account, as set forth in
17 Internal Revenue Code Section 223, linked to a high-deductible
18 health plan and to which employers, sole proprietors, labor
19 unions, or employees may contribute funds for 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 2012 regular session.

3 (d) The task force shall cease to exist on December 31,
4 2011.

5 SECTION 3. This Act shall take effect on July 1, 2020.



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.
(HB2206 HD1)

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