
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.

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

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

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

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

19 It is imperative that health care leaders come together to
20 discuss ways in which HSAs can assume a more meaningful role in
21 health care coverage in Hawaii. Under the Hawaii prepaid health
22 care act, all health insurance plans offered by Hawaii employers

1 must be approved as a qualified plan by the state Hawaii prepaid
2 health care council. Issues with the Hawaii prepaid health care
3 act need to be addressed in order to determine the role of HSAs
4 in Hawaii's health insurance market. HSAs are currently an
5 option under the Hawaii employer-union health benefits trust
6 fund, as well as an option for sole proprietors, self-employed
7 individuals, and those working as part-time employees.

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

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

21 SECTION 2. (a) There is established the health savings
22 accounts assessment task force within the department of labor

1 and industrial relations for administrative purposes and
2 consisting of the following members:

3 (1) The director of labor and industrial relations, who
4 shall appoint the task force members by August 1,
5 2010;

6 (2) Four members of the Hawaii prepaid health care
7 advisory council;

8 (3) Three members or employees of the Hawaii Medical
9 Association;

10 (4) Three representatives from the health insurance
11 industry;

12 (5) Four representatives from non-government employee
13 unions;

14 (6) One representative from First Hawaiian Bank; and

15 (7) Four representatives from other interested
16 organizations or stakeholders, at the discretion of
17 the director of labor and industrial relations.

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

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

4 (b) The task force shall:

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

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

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

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

18 For the purposes of this subsection, "health savings account"
19 means a tax-deferred personal savings account, as set forth in
20 Internal Revenue Code Section 223, linked to a high-deductible
21 health insurance policy and to which employers, sole

1 proprietors, labor unions, or employees may contribute funds for
2 medical expenses.

3 (c) The task force shall submit to the legislature,
4 through the department of labor and industrial relations, its
5 findings and recommendations, including any proposed
6 legislation, no later than twenty days prior to the convening of
7 the 2011 regular session.

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

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

10

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.
(SD1)

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