
A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST
FUND.

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

1 SECTION 1. The purpose of this Act is to address the
2 unfunded actuarial accrued liability of the Hawaii employer-
3 union health benefits trust fund.

4 More specifically, this Act requires that the board of
5 trustees of the trust fund evaluate and implement a medical
6 benefits plan or plans that are not based on the fee-for-service
7 model by July 1, 2014.

8 The legislature finds that the expenses of the trust fund
9 are exorbitant and increasing annually. The rate of increase of
10 the annual premium cost is greater than that of the cost-of-
11 living index. Furthermore, the unfunded actuarial accrued
12 liability of the trust fund will require substantial annual
13 payments if it is to be amortized over thirty years. The
14 expenses of the trust fund are borne by both public employees
15 and taxpayers.

16 The fee-for-service health care model rewards volume of
17 medical services, rather than patient outcome and efficiency in



1 service delivery. To control costs of the trust fund, the fee-
2 for-service model of paying for medical benefits should be
3 eliminated.

4 The legislature believes that the board of trustees, after
5 an evaluation, should implement a medical benefits plan or plans
6 that pay for services under a payment model other than a fee-
7 for-service model. The change should encourage the efficient
8 delivery of high-quality health care service at an economical
9 cost and also reduce expenses of the Hawaii employer-union
10 health benefits trust fund.

11 The legislature realizes that the replacement of the fee-
12 for-service model with an alternative payment model will be
13 complex. Thus, under this Act, the board of trustees is
14 required to commence its evaluation on July 1, 2012, and
15 complete the evaluation by January 1, 2014. Implementation of
16 the medical benefits plan or plans based on the alternative
17 payment model shall occur no later than July 1, 2014.

18 SECTION 2. **Definitions.** (a) For the purpose of this Act,
19 the definitions under section 87A-1, Hawaii Revised Statutes,
20 shall apply.

21 (b) In addition:



1 "Alternative payment model" means a model for the payment
2 of medical services that is not a fee-for-service model. The
3 term includes the model under which a health maintenance
4 organization is prepaid for medical services on a capitated
5 basis.

6 "Episode-based payment model" means the alternative payment
7 model under which a medical service provider or organization of
8 medical service providers is paid or reimbursed based on
9 discrete clinically defined episodes of care.

10 "Fee-for-service model" means the model under which a fee
11 is paid for each medical service provided.

12 "Global budget payment model" means the alternative payment
13 model under which a medical service provider or organization of
14 medical service providers is prospectively compensated for all
15 or most of the medical services that a patient may require over
16 a specified contract period, with or without the insuring of
17 risks from unanticipated illness or accident not covered by the
18 prospective compensation.

19 "Health maintenance organization" means the same as defined
20 under section 432D-1, Hawaii Revised Statutes.

21 "Medical benefits plan" means a plan or contract under
22 which medical, hospital, surgical, prescription drug, and other



1 health care benefits are provided by a medical services
2 provider, group of medical services providers, health
3 maintenance organization, or insurer. The term does not include
4 a vision only, dental only, or prescription drug only benefits
5 plan.

6 SECTION 3. **Alternative payment model, fee-for-service**

7 **model; requirements.** (a) Except as otherwise provided under
8 subsection (c), commencing July 1, 2014, the board shall offer
9 only medical benefits plans that pay or reimburse medical
10 services providers under an alternative payment model.

11 (b) Except as otherwise provided under subsection (c),
12 commencing July 1, 2014, the board shall not offer any medical
13 benefits plans that pay or reimburse medical services providers
14 under a fee-for-service model.

15 (c) If the board determines that a supplemental medicare
16 plan for retired employees that pays or reimburses medical
17 services providers under an alternative payment model is
18 unavailable, impractical, or excessively costly, the board may
19 offer to the retired employees a supplemental medicare plan that
20 pays or reimburses medical services providers under a fee-for-
21 service model.



1 SECTION 4. **Evaluation and implementation of alternative**
2 **payment model.** (a) To comply with section 3, commencing July
3 1, 2012, the board shall evaluate the episode-based payment
4 model, global budget payment model, health maintenance
5 organization model, and any other alternative payment model of
6 medical benefit plans that are deemed worthy of consideration.

7 (b) The board shall conduct the evaluation to offer
8 medical benefits plans under an alternative payment model that:

- 9 (1) Establishes a transparent payment methodology;
- 10 (2) Promotes coordination of care and chronic disease
11 management;
- 12 (3) Rewards primary care physicians for improving health
13 outcomes;
- 14 (4) Reduces waste and duplication in clinical care; and
- 15 (5) Decreases unnecessary hospitalization and ancillary
16 services.

17 (c) The board shall complete the evaluation by January 1,
18 2014, and submit a report of its findings and recommendations,
19 including any proposed legislation deemed necessary by the
20 board, to the governor and legislature no later than twenty days
21 prior to the convening of the regular session of 2014.



1 SECTION 5. Intent regarding medical benefits plan of
 2 health maintenance organization. This Act is not intended to
 3 affect the authority of the board to offer any medical benefits
 4 plan provided by a health maintenance organization.

5 SECTION 6. Intent regarding deductibles, co-payments.
 6 This Act is not intended to prohibit the charging of
 7 deductibles, co-payments, or both, under any medical benefits
 8 plan that pays or reimburses medical services providers under an
 9 alternative payment model.

10 SECTION 7. There is appropriated out of the general
 11 revenues of the State of Hawaii the sum of \$ or so
 12 much thereof as may be necessary for fiscal year 2012-2013 for
 13 the evaluation of alternative payment models required by this
 14 Act.

15 The sum appropriated shall be expended by the board of
 16 trustees of the Hawaii employer-union health benefits trust fund
 17 for the purposes of this Act.

18 SECTION 8. This Act shall take effect on July 1, 2012.

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INTRODUCED BY: Calvin K. Boy
 JAN 13 2012



H.B. NO. 1808

Report Title:

Hawaii Employer-Union Health Benefits Trust Fund; Alternative Payment Models; Appropriation

Description:

Beginning 07/01/14, prohibits the Hawaii employer-union health benefits trust fund from offering medical benefits plans that pay or reimburse providers under a fee-for-service model. Requires the board of trustees to evaluate alternative payment models to replace the fee-for-service model and submit a report to the governor and legislature before the regular session of 2014. Appropriates funds for the evaluation.

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