
A BILL FOR AN ACT

RELATING TO HEALTH CARE TRANSFORMATION.

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

1 PART I

2 SECTION 1. The legislature finds that the effectiveness of
3 our health care system is of considerable importance to every
4 state resident from the perspective of cost, accessibility, and
5 quality. The State has a particular responsibility for the
6 effectiveness of the health care system as purchaser of health
7 insurance for nearly forty per cent of the population.

8 In addition, the quality of care in our system is not
9 consistently high, access to needed care is not reliably
10 available across all islands or for all people, and health
11 information technology is not used to its full capacity for
12 improving care and reducing errors and duplication.

13 The legislature recognizes that health care transformation
14 is necessary and will require alignment of health care
15 strategies, priorities, and investments for both the private
16 sector and state agencies.

17 Pursuant to Act 224, Session Laws of Hawaii 2013, Hawaii's
18 health care transformation program resides temporarily, through



1 June 30, 2015, in the office of the governor. There is
2 currently no permanent state agency with authority to support,
3 coordinate, oversee, and evaluate change and innovation in our
4 health care system.

5 The purpose of this part is to continue the program on a
6 long-term basis and codify Hawaii's commitment to health care
7 transformation by:

- 8 (1) Creating the structure and authority for health care
9 transformation;
- 10 (2) Extending to June 30, 2017, the duration of the health
11 care transformation program, which is established and
12 temporarily placed within the office of the governor;
- 13 (3) Transferring the functions of Hawaii's health care
14 transformation program to the state health planning
15 and development agency of the department of health,
16 along with its existing resources and personnel, and
17 renaming the state health planning and development
18 agency to encompass this expanded purpose; and
- 19 (4) Appropriating funds for the healthcare transformation
20 coordinator to carry out the functions, operations,
21 and purposes of the health care transformation
22 program.



1 SECTION 2. Chapter 323D, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By adding a new part to be appropriately designated and
4 to read:

5 "PART . OFFICE OF HEALTH CARE TRANSFORMATION

6 §323D-A Office of health care transformation. (a) There
7 is established within the Hawaii health care planning and policy
8 authority an office of health care transformation. The office
9 shall be headed by a health care transformation officer who
10 shall be appointed by the governor subject to section 26-34 and
11 who shall report directly to the governor.

12 (b) Section 26-35(a)(1) shall not apply to the office of
13 health care transformation. Notwithstanding section 26-
14 35(a)(2), the financial requirements from state funds of the
15 office shall be submitted through the director of health and
16 included in the budget for the department of health, and neither
17 the authority administrator nor director of health shall change
18 the office's submissions in any way. Notwithstanding section
19 26-35(a)(4), the employment, appointment, promotion, transfer,
20 demotion, discharge, and job descriptions of all officers and
21 employees of or under the jurisdiction of the office shall be
22 determined by the office, subject to applicable personnel laws,



1 and shall not be subject to the approval of the authority
2 administrator or the director of health.

3 (c) The health care transformation officer shall oversee
4 and supervise the office of health care transformation and shall
5 organize, manage, and lead multi-sector statewide health care
6 transformation activities, including:

7 (1) Identifying the issues that need to be addressed to
8 achieve statewide health care transformation;

9 (2) Developing health system goals, strategies,
10 frameworks, and timelines, as well as proposed
11 legislation and rules, directed at health care
12 transformation;

13 (3) Coordinating health policy and purchasing across state
14 agencies to promote alignment in quality measures,
15 data collection, payment strategies, insurance
16 regulation, waivers, and plan amendments consistent
17 with improving public and population health to the
18 extent allowable under federal law;

19 (4) Identifying processes, measures, and goals to evaluate
20 and improve the quality and cost-effectiveness of
21 health care services;



- 1 (5) Pursuing opportunities for administrative uniformity
2 or alignment of processes, measures, and other matters
3 directed at improving the quality and cost-
4 effectiveness of health care services;
- 5 (6) Identifying fair and efficient payment models for
6 health care services;
- 7 (7) Coordinating and overseeing policy and programs to
8 improve, expand, and use health information technology
9 to organize, store, safeguard, exchange, report, and
10 analyze clinical, cost, educational, technical,
11 administrative, regulatory, and other health care-
12 related data;
- 13 (8) Identifying and overseeing state and private sector
14 initiatives to improve access to care including, but
15 not limited to, insurance expansion, workforce
16 training, and support for community-based health
17 organizations;
- 18 (9) Developing a state health care transformation plan;
- 19 (10) Reporting annually to the governor and the legislature
20 on the status and implementation of the state health
21 care transformation plan;



1 (11) Performing other necessary or desirable functions to
2 facilitate the intent of this section;

3 (12) Notwithstanding section 323D-61, employing persons in
4 the office exempt from chapters 76 and 89; and

5 (13) Contracting for services that may be necessary for the
6 purposes of this section.

7 (d) The health care transformation officer may apply for,
8 receive, and disburse grants, fees, and donations from all
9 sources for health care transformation activities; provided that
10 all donations accepted from private sources shall be expended in
11 the manner prescribed by the contributor, and all moneys shall
12 be deposited into the health care transformation special fund
13 established under section 323D-B. The health care
14 transformation officer may also receive directly for the
15 office's purposes, donated personal services and personal
16 property for which funding is not required.

17 (e) The health care transformation officer shall submit an
18 annual report to the governor and the legislature no later than
19 twenty days prior to the convening of each regular session of
20 the legislature on the activities under the authority of the
21 health care transformation officer, and the expenditure of all



1 moneys received from all sources and deposited into the health
2 care transformation special fund in support of this section.

3 §323D-B Health care transformation special fund;
4 established. (a) There is established in the state treasury
5 the health care transformation special fund, which shall be
6 administered by the health care transformation officer. All
7 moneys collected by the officer pursuant to section 323D-A(d)
8 shall be deposited into the health care transformation special
9 fund.

10 (b) Moneys in the health care transformation special fund
11 shall be used for the purposes of this part."

12 2. By amending its title to read:

13 "CHAPTER 323D

14 HAWAII HEALTH CARE PLANNING AND [RESOURCES DEVELOPMENT AND
15 HEALTH CARE COST CONTROL] POLICY AUTHORITY"

16 SECTION 3. Section 323D-2, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By adding a new definition to be appropriately inserted
19 and to read:

20 "Authority" means the Hawaii health care planning and
21 policy authority."

22 2. By repealing the definition of "state agency".



1 [~~"State agency" means the state health planning and~~
2 ~~development agency established in section 323D-11."~~]

3 SECTION 4. Section 323D-12, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§323D-12 Health care planning and [~~development~~] policy
6 functions; [state agency.] authority. (a) The [~~state agency~~]
7 authority shall:

- 8 (1) Have as a principal function the responsibility for
9 promoting accessibility for all the people of the
10 State to quality health care services at reasonable
11 cost. The [~~state agency~~] authority shall conduct such
12 studies and investigations as may be necessary as to
13 the causes of health care costs including inflation.
14 The [~~state agency~~] authority may contract for services
15 to implement this paragraph. The certificate of need
16 program mandated under part V shall serve this
17 function. The [~~state agency~~] authority shall promote
18 the sharing of facilities or services by health care
19 providers whenever possible to achieve economies and
20 shall restrict unusual or unusually costly services to
21 individual facilities or providers where appropriate;



- 1 (2) Serve as staff to and provide technical assistance and
2 advice to the statewide council and the subarea
3 councils in the preparation, review, and revision of
4 the state health services and facilities plan;
- 5 (3) Conduct the health planning activities of the State in
6 coordination with the subarea councils, implement the
7 state health services and facilities plan, and
8 determine the statewide health needs of the State
9 after consulting with the statewide council; [~~and~~]
- 10 (4) Perform the health care transformation functions
11 described in part _____ ; and
- 12 [~~(4)~~] (5) Administer the state certificate of need program
13 pursuant to part V.
- 14 (b) The [~~state agency~~] authority may:
- 15 (1) Prepare [~~such~~] reports and recommendations on Hawaii's
16 health care costs and public or private efforts to
17 reduce or control costs and health care quality as it
18 deems necessary. The [~~report~~] reports may include,
19 but not be limited to, a review of health insurance
20 plans, the availability of various kinds of health
21 insurance and malpractice insurance to consumers, and



1 strategies for increasing competition in the health
2 insurance field.

3 (2) Prepare and revise as necessary the state health
4 services and facilities plan.

5 (3) [~~Prepare, review, and revise the annual implementation~~
6 ~~plan.~~

7 ~~(4)]~~ Assist the statewide council in the performance of its
8 functions.

9 ~~[(5)]~~ (4) Determine the need for new health services
10 proposed to be offered within the State.

11 ~~[(6)]~~ (5) Assess existing health care services and
12 facilities to determine whether there are redundant,
13 excessive, or inappropriate services or facilities and
14 make public findings of any that are found to be so.
15 The [~~state agency~~] authority shall weigh the costs of
16 the health care services or facilities against the
17 benefits the services or facilities provide and there
18 shall be a negative presumption against marginal
19 services.

20 ~~[(7)]~~ (6) Provide technical assistance to persons, public
21 or private, in obtaining and filling out the necessary
22 forms for the development of projects and programs.



1 ~~[(8)]~~ (7) Prepare reports, studies, and recommendations on
2 emerging health issues [~~, such as medical ethics,~~
3 ~~health care rationing, involuntary care, care for the~~
4 ~~indigent, and standards for research and development~~
5 ~~of biotechnology and genetic engineering]~~.

6 ~~[(9)]~~ (8) Conduct such other activities as are necessary to
7 meet the purposes of this chapter."

8 SECTION 5. Section 323D-12.6, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "~~[(1)] §323D-12.6 [(1)] State health~~ Health care planning and
11 [development] policy special fund; created; deposits;
12 expenditures; fees. (a) There is established within the state
13 treasury, to be administered by the [~~state~~] health care planning
14 and [development agency, the state health planning and
15 development] policy authority, the health care planning and
16 policy special fund into which shall be deposited all moneys
17 collected under chapter 323D[~~-~~], with the exception of all
18 moneys collected under part _____, which shall be deposited into
19 the health care transformation special fund established under
20 section 323D-B.

21 (b) Moneys in the health care planning and policy special
22 fund shall be expended by the [~~state health planning and~~



1 ~~development agency]~~ authority to assist in offsetting program
2 expenses of the [~~agency.]~~ authority.

3 (c) The [~~agency]~~ authority shall adopt rules in accordance
4 with chapter 91 to establish reasonable fees for the purposes of
5 this chapter."

6 SECTION 6. Act 224, Session Laws of Hawaii 2013, is
7 amended as follows:

8 1. By amending section 2 to read:

9 "SECTION 2. (a) There is established and temporarily
10 placed within the office of the governor the health care
11 transformation program, which shall terminate on [~~July 1, 2015.]~~
12 June 30, 2017. The principal mission of the program is to
13 identify the issues that need to be addressed to achieve
14 statewide health care transformation, and develop a strategy,
15 framework, and timeline, as well as proposed legislation and
16 rules, directed at the transformation, and to thereby improve
17 the quality and cost-effectiveness of the health care delivery
18 system, and ensure that Hawaii residents and visitors have
19 access to high-quality and cost effective health care. The
20 governor shall consider a broad range of initiatives, issues,
21 and strategies, including:



- 1 (1) The identification of processes, measures, and goals
2 to evaluate and improve the quality and cost-
3 effectiveness of health care services;
- 4 (2) Opportunities for administrative uniformity or the
5 standardization of processes, measures, and other
6 matters directed at improving the quality and cost-
7 effectiveness of health care service;
- 8 (3) Fair and efficient payment models for health care
9 services;
- 10 (4) Streamlined authorization procedures for health care
11 services;
- 12 (5) Improvement and expansion of the use of information
13 technologies to organize, store, safeguard, exchange,
14 and report clinical, cost, educational, technical,
15 administrative, regulatory, and other health care-
16 related data;
- 17 (6) Improvement and promotion of the establishment and use
18 of cost-effective preferred drug lists; and
- 19 (7) Any other issue, solution, or initiative necessary or
20 appropriate to further the principal mission of the
21 program.



1 (b) To facilitate the development of the strategy,
2 framework, and timeline, as well as legislation and rules
3 pursuant to subsection (a), the governor may obtain information
4 by informally consulting, individually or as a group, with any
5 stakeholder or subject-matter expert selected by the program.
6 The governor may informally collaborate, individually or as a
7 group, with any stakeholder or subject-matter expert, to enable
8 the program to plan and develop proposed strategies, including
9 proposed legislation and rules."

10 2. By amending section 3 to read:

11 "SECTION 3. The governor shall submit a progress report
12 containing the status of the health care transformation program,
13 including findings and recommendations to the legislature, no
14 later than twenty days prior to the convening of the regular
15 [~~session~~] sessions of 2014[-], 2015, and 2016. The governor
16 shall submit a final report on the health care transformation
17 program, including findings, recommendations, and any proposed
18 legislation, to the legislature no later than twenty days prior
19 to the convening of the regular session of [~~2015-~~] 2017."

20 SECTION 7. Effective July 1, 2017, chapter 323D, Hawaii
21 Revised Statutes, is amended by replacing all references to the
22 "state health planning and development program" with references



1 to the "Hawaii health care planning and policy program," by
2 replacing all references to the "state health planning and
3 development agency" with references to the "Hawaii health care
4 planning and policy authority," and by replacing all references
5 to the "state agency" and the "agency" with references to the
6 "authority" as the context requires.

7 SECTION 8. Effective July 1, 2017, all rights, powers,
8 functions, and duties of the health care transformation program
9 in the office of the governor are transferred to the Hawaii
10 health care planning and policy authority. All employees who
11 occupy civil service positions and whose functions are
12 transferred to the Hawaii health care planning and policy
13 authority by this Act shall retain their civil service status,
14 whether permanent or temporary. Employees shall be transferred
15 without loss of salary, seniority (except as prescribed by
16 applicable collective bargaining agreements), retention points,
17 prior service credit, any vacation and sick leave credits
18 previously earned, and other rights, benefits, and privileges,
19 in accordance with state personnel laws and this Act; provided
20 that the employees possess the minimum qualifications and public
21 employment requirements for the class or position to which
22 transferred or appointed, as applicable; provided further that



1 subsequent changes in status may be made pursuant to applicable
2 civil service and compensation laws.

3 Any employee who, prior to this Act, is exempt from civil
4 service and is transferred as a consequence of this Act may
5 retain the employee's exempt status, but shall not be appointed
6 to a civil service position as a consequence of this Act. An
7 exempt employee who is transferred by this Act shall not suffer
8 any loss of prior service credit, vacation or sick leave credits
9 previously earned, or other employee benefits or privileges as a
10 consequence of this Act; provided that the employee possesses
11 legal and public employment requirements for the position to
12 which transferred or appointed, as applicable; provided further
13 that subsequent changes in status may be made pursuant to
14 applicable employment and compensation laws. The health care
15 transformation officer of the Hawaii health care planning and
16 policy authority may prescribe the duties and qualifications of
17 these employees and fix their salaries without regard to chapter
18 76, Hawaii Revised Statutes.

19 SECTION 9. Effective July 1, 2017, all appropriations,
20 other funds, records, equipment, machines, files, supplies,
21 contracts, books, papers, documents, maps, and other personal
22 property heretofore made, used, acquired, or held by the health



1 care transformation program relating to the functions
2 transferred to the office of health care transformation shall be
3 transferred with the functions to which they relate.

4 SECTION 10. Effective July 1, 2017, all deeds, leases,
5 contracts, loans, agreements, permits, or other documents
6 executed or entered into by or on behalf of the health care
7 transformation program in the office of the governor are
8 transferred to the Hawaii health care planning and policy
9 authority.

10 SECTION 11. All deeds, leases, contracts, loans,
11 agreements, permits, or other documents executed or entered into
12 by or on behalf of the health care transformation program in the
13 office of the governor shall remain in full force and effect.
14 Effective July 1, 2017, every reference to the governor's
15 health care transformation program in those deeds, leases,
16 contracts, loans, agreements, permits, or other documents shall
17 be construed as a reference to the office of health care
18 transformation or health care transformation officer, as
19 appropriate.

20 SECTION 12. The administrative rules of the State health
21 planning and development agency that are in effect as of the
22 effective date of this Act shall remain in effect until amended



1 by the Hawaii health care planning and policy authority. All
2 references in those rules to the "state health planning and
3 development program" shall be read to mean the "Hawaii health
4 care planning and policy program;" all references to the "state
5 health planning and development agency" shall be read to mean
6 the "Hawaii health care planning and policy authority," and all
7 references to the "state agency" and the "agency" shall be read
8 to mean the "authority" as the context requires.

9 SECTION 13. There is appropriated out of the general
10 revenues of the State of Hawaii the sum of \$ or so much
11 thereof as may be necessary for fiscal year 2014-2015 for the
12 healthcare transformation coordinator to carry out the
13 functions, operations, and purposes of the health care
14 transformation program.

15 The sum appropriated shall be expended by the office of the
16 governor for the purposes of this part.

17 PART II

18 SECTION 14. The legislature finds that the Patient
19 Protection and Affordable Care Act encourages states to develop
20 innovative approaches to insuring their populations by
21 authorizing states to apply for waivers from certain
22 requirements of the Act. To be eligible, a state must



1 demonstrate that its proposed health insurance reforms are as
2 comprehensive and affordable as the federal requirements for
3 insurance sold in its state health insurance exchange. In
4 addition, proposed reforms must be budget neutral for the
5 federal government. States that are granted innovation waivers
6 may receive federal assistance to operate their reform programs
7 in an amount that is equivalent to the aggregate amount of tax
8 credits and cost-sharing subsidies that the federal government
9 would have paid for individuals enrolled in state health
10 insurance exchanges.

11 The legislature also finds that Hawaii has a bold history
12 as an innovator in ensuring that its residents have access to
13 health care. The Hawaii Prepaid Health Care Act has ensured the
14 availability of employer-sponsored health insurance for workers
15 and their families, and the State's Med-QUEST program has
16 provided access to comprehensive managed care for low-income
17 families. The legislature believes that, while Hawaii has taken
18 great steps in implementing the health insurance exchange and
19 other insurance reforms required by the Patient Protection and
20 Affordable Care Act, the State may be able to create a more
21 effective alternative solution for providing affordable health
22 coverage to individuals.



1 The purpose of this part is to establish a state innovation
2 waiver task force to develop a health care reform plan that
3 meets requirements for obtaining a state innovation waiver.

4 SECTION 15. (a) There is created the state innovation
5 waiver task force, to be attached to the office of the governor
6 for administrative purposes.

7 (b) The task force shall consist of the following members,
8 or their respective designees:

9 (1) The healthcare transformation coordinator, who shall
10 serve as chair;

11 (2) The director of health;

12 (3) The director of labor and industrial relations;

13 (4) The administrator of the MedQUEST division of the
14 department of human services;

15 (5) The insurance commissioner;

16 (6) The chief information officer of the office of
17 information management and technology;

18 (7) The administrator of the Hawaii employer-union health
19 benefits trust fund;

20 (8) The executive director of the Hawaii Health Authority;

21 (9) The executive director of the Hawaii Health Connector;



- 1 (10) The executive director of the Hawaii Health
2 Information Exchange;
- 3 (11) A representative of The Chamber of Commerce Hawaii;
- 4 (12) Two persons with expertise in health care delivery or
5 health insurance, to be designated by the president of
6 the senate; and
- 7 (13) Two persons with expertise in health care delivery or
8 health insurance, to be designated by the speaker of
9 the house of representatives.
- 10 (c) The task force shall:
- 11 (1) Examine the feasibility of alternative approaches to
12 the health reform requirements described under section
13 1332(a)(2) of the federal act;
- 14 (2) Examine alternatives to and possible exemptions or
15 waivers from requirements relating to allowable
16 premium rate variations based upon age, as described
17 in section 1201 of the federal act;
- 18 (3) Examine the feasibility of options for providing
19 affordable insurance coverage for uninsured and
20 underinsured individuals in Hawaii through brokers and
21 professional employer organizations that include



1 innovations to the State's existing medicaid program;
2 and

3 (4) Develop a plan for applying for a state innovation
4 waiver that meets the requirements of section 1332 of
5 the federal act, including:

6 (A) Developing a strategy for health care reform
7 that:

8 (i) Provides coverage that is at least as
9 comprehensive as required by the federal
10 act;

11 (ii) Provides coverage and cost-sharing
12 protections that are at least as affordable
13 as under the federal act;

14 (iii) Makes health insurance coverage available to
15 as many residents of Hawaii as under the
16 federal act; and

17 (iv) Is budget neutral for the federal
18 government;

19 (B) Examining the feasibility of options for
20 providing affordable insurance coverage for
21 uninsured and underinsured individuals in Hawaii



1 that include innovations to the State's existing
2 medicaid program; and

3 (C) Ensuring compliance with all applicable public
4 notice requirements of 31 Code of Federal
5 Regulations part 33 and 45 Code of Federal
6 Regulations part 155, as amended.

7 (d) The task force shall prepare a draft application for a
8 state innovation waiver, to take effect for plan years beginning
9 after January 1, 2017.

10 (e) The members of the task force shall serve without
11 compensation but shall be reimbursed for expenses, including
12 travel expenses, necessary for the performance of their duties.

13 (f) The task force shall submit an interim report to the
14 legislature, no later than twenty days prior to the convening of
15 the regular session of 2015, that includes:

16 (1) Identification of opportunities for state agencies to
17 collaborate on new information technology that will
18 advance the goals of the federal act and state
19 innovation; and

20 (2) Recommendations on the allocation of existing moneys
21 available for health reform and innovation, including
22 any proposed legislation.



1 (g) The task force shall submit a final report of its
2 findings and recommendations to the legislature, including any
3 proposed legislation and the draft application, no later than
4 twenty days prior to the convening of the regular session of
5 2016.

6 (h) The task force shall be dissolved on June 30, 2017.

7 (i) For the purposes of this section, "federal act" means
8 the Patient Protection and Affordable Care Act (Public Law 111-
9 148), as amended, and any regulations adopted thereunder.

10 SECTION 16. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so much
12 thereof as may be necessary for fiscal year 2014-2015 for the
13 operations of the state innovation waiver task force.

14 The sum appropriated shall be expended by the office of the
15 governor for the purposes of this part.

16 PART III

17 SECTION 17. In codifying the new sections added by section
18 2 of this Act, the revisor of statutes shall substitute
19 appropriate section numbers for the letters used in designating
20 the new sections in this Act.

21 SECTION 18. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 19. This Act shall take effect on July 1, 2014;
2 provided that sections 2 through 5 and sections 7 through 12
3 shall take effect on July 1, 2017; and provided further that
4 Part II shall take effect on July 1, 2050.



Report Title:

Health Care Transformation; State Innovation Waiver; Task Force; Appropriation

Description:

Extends Governor's Health Care Transformation Project until June 30, 2017, and, thereafter, transfers functions to planning agency within Department of Health. Changes names of certain Department of Health agencies and positions. Establishes Special Fund. Establishes State Innovation Waiver Task Force to plan and draft application for a state innovation waiver as an alternative to insurance exchange under PPACA, effective July 1, 2050. Appropriates funds. (SB2827 HD1)

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

