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

8 (1) Creating the structure and authority for health care
9 transformation; and

10 (2) Transferring the functions of Hawaii's health care
11 transformation program to the state health planning
12 and development agency of the department of health,
13 along with its existing resources and personnel; and

14 (3) Renaming the state health planning and development
15 agency to the Hawaii health care planning and policy
16 authority, to encompass this expanded purpose.

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

19 1. By adding a new part to be appropriately designated and
20 to read:

21 **"PART . OFFICE OF HEALTH CARE TRANSFORMATION**



1 **§323D-A Office of health care transformation.** (a) There
2 is established within the authority an office of health care
3 transformation. The office shall be headed by a health care
4 transformation officer who shall be appointed by the governor
5 subject to section 26-34 and who shall report directly to the
6 governor.

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

20 (c) The health care transformation officer shall oversee
21 and supervise the office of health care transformation and shall



1 organize, manage, and lead multi-sector statewide health care
2 transformation activities, including:

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

5 (2) Developing health system goals, strategies,
6 frameworks, and timelines, as well as proposed
7 legislation and rules, directed at health care
8 transformation;

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

15 (4) Identifying processes, measures, and goals to evaluate
16 and improve the quality and cost-effectiveness of
17 health care services;

18 (5) Pursuing opportunities for administrative uniformity
19 or alignment of processes, measures, and other matters
20 directed at improving the quality and cost-
21 effectiveness of health care services;



- 1 (6) Identifying fair and efficient payment models for
- 2 health care services;
- 3 (7) Coordinating and overseeing policy and programs to
- 4 improve, expand, and use health information technology
- 5 to organize, store, safeguard, exchange, report, and
- 6 analyze clinical, cost, educational, technical,
- 7 administrative, regulatory, and other health care-
- 8 related data;
- 9 (8) Identifying and overseeing state and private sector
- 10 initiatives to improve access to care, including but
- 11 not limited to insurance expansion, workforce
- 12 training, and support for community-based health
- 13 organizations;
- 14 (9) Developing a state health care transformation plan;
- 15 (10) Performing other necessary or desirable functions to
- 16 facilitate the intent of this section;
- 17 (11) Notwithstanding section 323D-61, employing persons in
- 18 the office exempt from chapters 76 and 89; and
- 19 (12) Contracting for services that may be necessary for the
- 20 purposes of this section.
- 21 (d) The health care transformation officer may apply for,
- 22 receive, and disburse grants, fees, and donations from all



1 sources for health care transformation activities; provided that
2 all donations accepted from private sources shall be expended in
3 the manner prescribed by the contributor. The health care
4 transformation officer may also receive directly for the
5 office's purposes donated personal services and personal
6 property for which funding is not required.

7 (e) The health care transformation officer shall submit an
8 annual report to the governor and the legislature, no later than
9 twenty days prior to the convening of each regular session, on:

10 (1) The activities under the authority of the health care
11 transformation officer, including the status and
12 implementation of the state health care transformation
13 plan; and

14 (2) The expenditure of all moneys received from all
15 sources and deposited into the health care
16 transformation special fund in support of this
17 section.

18 **§323D-B Health care transformation special fund;**
19 **established.** (a) There is established in the state treasury
20 the health care transformation special fund, which shall be
21 administered by the health care transformation officer. All
22 moneys collected by the health care transformation officer



1 pursuant to section 323D-A(d) shall be deposited into the health
2 care transformation special fund.

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

5 2. By amending its title to read:

6 "CHAPTER 323D
7 ~~[HEALTH PLANNING AND RESOURCES DEVELOPMENT AND HEALTH CARE COST~~
8 ~~CONTROL]~~ HAWAII HEALTH CARE PLANNING AND POLICY AUTHORITY"

9 3. By amending the title of part II to read:

10 "PART II. ~~[STATE HEALTH PLANNING AND DEVELOPMENT PROGRAM]~~
11 HAWAII HEALTH CARE PLANNING AND POLICY PROGRAM"

12 SECTION 3. Section 323D-1, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "§323D-1 Purpose. The purpose of this chapter is to
15 establish a ~~[health planning and resources development program]~~
16 Hawaii health care planning and policy program to promote
17 accessibility for all the people of the State to quality health
18 care services at reasonable cost."

19 SECTION 4. Section 323D-2, Hawaii Revised Statutes, is
20 amended as follows:

21 1. By adding a new definition to be appropriately inserted
22 and to read:



1 "Authority" means the Hawaii health care planning and
2 policy authority."

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

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

6 SECTION 5. Section 323D-11, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "§323D-11 [~~State health planning and development agency.]~~
9 Hawaii health care planning and policy authority. There is
10 established within the department of health for administrative
11 purposes only, the [~~state health planning and development~~
12 ~~agency.]~~ Hawaii health care planning and policy authority. The
13 [~~state agency]~~ authority shall be headed by an administrator who
14 shall be appointed by the governor subject to section 26-34.
15 The [~~state agency]~~ authority shall administer the [~~state health~~
16 ~~planning and cost containment activities]~~ health care planning
17 and policy authority activities as required by law."

18 SECTION 6. Section 323D-12, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§323D-12 [~~Health planning and development functions;~~
21 ~~state agency.]~~ Health care planning and policy functions;
22 authority. (a) The [~~state agency]~~ authority shall:



- 1 (1) Have as a principal function the responsibility for
2 promoting accessibility for all the people of the
3 State to quality health care services at reasonable
4 cost. The [~~state agency~~] authority shall conduct
5 [~~such~~] studies and investigations as may be necessary
6 as to the causes of health care costs including
7 inflation. The [~~state agency~~] authority may contract
8 for services to implement this paragraph. The
9 certificate of need program mandated under part V
10 shall serve this function. The [~~state agency~~]
11 authority shall promote the sharing of facilities or
12 services by health care providers whenever possible to
13 achieve economies and shall restrict unusual or
14 unusually costly services to individual facilities or
15 providers where appropriate;
- 16 (2) Serve as staff to and provide technical assistance and
17 advice to the statewide council and the subarea
18 councils in the preparation, review, and revision of
19 the state health services and facilities plan;
- 20 (3) Conduct the health planning activities of the State in
21 coordination with the subarea councils, implement the
22 state health services and facilities plan, and



1 determine the statewide health needs of the State
2 after consulting with the statewide council; ~~and~~

3 (4) Perform the health care transformation functions
4 described in part _____ ; and

5 ~~[(4)]~~ (5) Administer the state certificate of need program
6 pursuant to part V.

7 (b) The ~~[state agency]~~ authority may:

8 (1) Prepare ~~[such]~~ reports and recommendations on Hawaii's
9 health care costs and public or private efforts to
10 reduce or control costs and health care quality as it
11 deems necessary. The report may include~~[-]~~ but not be
12 limited to~~[-]~~ a review of health insurance plans, the
13 availability of various kinds of health insurance and
14 malpractice insurance to consumers, and strategies for
15 increasing competition in the health insurance
16 field~~[-]~~;

17 (2) Prepare and revise as necessary the state health
18 services and facilities plan~~[-]~~;

19 ~~[(3) Prepare, review, and revise the annual implementation~~
20 ~~plan.~~

21 ~~-(4)]~~ (3) Assist the statewide council in the performance
22 of its functions~~[-]~~;



- 1 ~~[(+5)]~~ (4) Determine the need for new health services
2 proposed to be offered within the State~~[-]~~;
- 3 ~~[(+6)]~~ (5) Assess existing health care services and
4 facilities to determine whether there are redundant,
5 excessive, or inappropriate services or facilities and
6 make public findings of any that are found to be so.
7 The ~~[state agency]~~ authority shall weigh the costs of
8 the health care services or facilities against the
9 benefits the services or facilities provide and there
10 shall be a negative presumption against marginal
11 services~~[-]~~;
- 12 ~~[(+7)]~~ (6) Provide technical assistance to persons, public
13 or private, in obtaining and filling out the necessary
14 forms for the development of projects and programs~~[-]~~;
- 15 ~~[(+8)]~~ (7) Prepare reports, studies, and recommendations on
16 emerging health issues~~[-, such as medical ethics,~~
17 ~~health care rationing, involuntary care, care for the~~
18 ~~indigent, and standards for research and development~~
19 ~~of biotechnology and genetic engineering.]~~; and
- 20 ~~[(+9)]~~ (8) Conduct ~~[such]~~ any other activities ~~[as are]~~
21 necessary to meet the purposes of this chapter."



1 SECTION 7. Section 323D-12.6, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "~~[§]323D-12.6[] State health planning and development]~~
4 **Health care planning and policy special fund; created; deposits;**
5 **expenditures; fees.** (a) There is established within the state
6 treasury, to be administered by the [~~state health planning and~~
7 ~~development agency, the state health planning and development]~~
8 Hawaii health care planning and policy authority, the health
9 care planning and policy special fund into which shall be
10 deposited all moneys collected under this chapter [~~323D.~~],
11 except any moneys collected under part .

12 (b) Moneys in the health care planning and policy special
13 fund shall be expended by the [~~state health planning and~~
14 ~~development agency]~~ authority to assist in offsetting program
15 expenses of the [~~agency.]~~ authority.

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

19 SECTION 8. Effective July 1, 2015, section 321-225 and
20 chapter 323D, Hawaii Revised Statutes, are amended by replacing
21 all references to the "state health planning and development
22 agency" with references to the "Hawaii health care planning and



1 policy authority" and by replacing all references to the "state
2 agency" and "agency" with references to the "authority".

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

21 Any employee who, prior to this Act, is exempt from civil
22 service and is transferred as a consequence of this Act may



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

15 SECTION 10. All appropriations, other funds, records,
16 equipment, machines, files, supplies, contracts, books, papers,
17 documents, maps, and other personal property heretofore made,
18 used, acquired, or held by the health care transformation
19 program in the office of the governor relating to the functions
20 transferred to the Hawaii health care planning and policy
21 authority shall be transferred with the functions to which they
22 relate.



1 SECTION 11. All deeds, leases, contracts, loans,
2 agreements, permits, or other documents executed or entered into
3 by or on behalf of the health care transformation program in the
4 office of the governor shall remain in full force and effect.
5 Effective July 1, 2015, every reference to the governor's health
6 care transformation program in those deeds, leases, contracts,
7 loans, agreements, permits, or other documents shall be
8 construed as a reference to the office of health care
9 transformation or health care transformation officer, as
10 appropriate.

11 SECTION 12. The administrative rules of the state health
12 planning and development agency that are in effect as of the
13 effective date of this Act shall remain in effect until amended
14 by the Hawaii health care planning and policy authority. All
15 references in those rules to the "state health planning and
16 development program" shall be read to mean the "Hawaii health
17 care planning and policy program", all references to the "state
18 health planning and development agency" shall be read to mean
19 the "Hawaii health care planning and policy authority", and all
20 references to the "state agency" and "agency" shall be read to
21 mean the "authority".

22 PART II



1 SECTION 13. The legislature finds that the Patient
2 Protection and Affordable Care Act encourages states to develop
3 innovative approaches to insuring their populations by
4 authorizing states to apply for waivers from certain
5 requirements of the Act. To be eligible, a state must
6 demonstrate that its proposed health insurance reforms are as
7 comprehensive and affordable as the federal requirements for
8 insurance sold in its state health insurance exchange. In
9 addition, proposed reforms must be budget neutral for the
10 federal government. States that are granted innovation waivers
11 may receive federal assistance to operate their reform programs
12 in an amount that is equivalent to the aggregate amount of tax
13 credits and cost-sharing subsidies that the federal government
14 would have paid for individuals enrolled in state health
15 insurance exchanges.

16 The legislature also finds that Hawaii has a bold history
17 as an innovator in ensuring that its residents have access to
18 health care. The Hawaii Prepaid Health Care Act has ensured the
19 availability of employer-sponsored health insurance for workers
20 and their families, and the State's Med-QUEST program has
21 provided access to comprehensive managed care for low-income
22 families. The legislature believes that, while Hawaii has taken



1 great steps in implementing the health insurance exchange and
2 other insurance reforms required by the Patient Protection and
3 Affordable Care Act, the State may be able to create a more
4 effective alternative solution for providing affordable health
5 coverage to individuals.

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

9 SECTION 14. (a) There is created the state innovation
10 waiver task force, to be attached to the office of the governor
11 for administrative purposes.

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

14 (1) The healthcare transformation coordinator, who shall
15 serve as chair;

16 (2) The director of health;

17 (3) The director of commerce and consumer affairs;

18 (4) The director of labor and industrial relations;

19 (5) The administrator of the MedQUEST division of the
20 department of human services;

21 (6) The insurance commissioner;



- 1 (7) The chief information officer of the office of
- 2 information management and technology;
- 3 (8) The administrator of the Hawaii employer-union health
- 4 benefits trust fund;
- 5 (9) The chairperson of the board of directors of the
- 6 Hawaii Health Connector;
- 7 (10) The executive director of the Hawaii Health Connector;
- 8 (11) The executive director of the Hawaii Health
- 9 Information Exchange;
- 10 (12) A representative of The Chamber of Commerce Hawaii;
- 11 (13) Two persons with expertise in health care delivery or
- 12 health insurance, to be designated by the president of
- 13 the senate; and
- 14 (14) Two persons with expertise in health care delivery or
- 15 health insurance, to be designated by the speaker of
- 16 the house of representatives.
- 17 (c) The task force shall:
- 18 (1) Examine the feasibility of alternative approaches to
- 19 the health reform requirements described under section
- 20 1332(a)(2) of the federal act;
- 21 (2) Examine alternatives to and possible exemptions or
- 22 waivers from requirements relating to allowable



1 premium rate variations based upon age, as described
2 in section 1201 of the federal act;

3 (3) Examine the feasibility of options for providing
4 affordable insurance coverage for uninsured and
5 underinsured individuals in Hawaii through brokers and
6 professional employer organizations that include
7 innovations to the State's existing medicaid program;
8 and

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

12 (A) Developing a strategy for health care reform
13 that:

14 (i) Provides coverage that is at least as
15 comprehensive as required by the federal
16 act;

17 (ii) Provides coverage and cost-sharing
18 protections that are at least as affordable
19 as under the federal act;

20 (iii) Makes health insurance coverage available to
21 as many residents of Hawaii as under the
22 federal act; and



- 1 (iv) Is budget neutral for the federal
- 2 government;
- 3 (B) Examining the feasibility of options for
- 4 providing affordable insurance coverage for
- 5 uninsured and underinsured individuals in Hawaii
- 6 that include innovations to the State's existing
- 7 medicaid program; and
- 8 (C) Ensuring compliance with all applicable public
- 9 notice requirements of 31 Code of Federal
- 10 Regulations part 33 and 45 Code of Federal
- 11 Regulations part 155, as amended.
- 12 (d) The task force shall prepare a draft application for a
- 13 state innovation waiver, to take effect for plan years beginning
- 14 after January 1, 2017.
- 15 (e) The members of the task force shall serve without
- 16 compensation but shall be reimbursed for expenses, including
- 17 travel expenses, necessary for the performance of their duties.
- 18 (f) The task force shall submit an interim report to the
- 19 legislature, no later than twenty days prior to the convening of
- 20 the regular session of 2015, that includes:
- 21 (1) Identification of opportunities for state agencies to
- 22 collaborate on new information technology that will

1 advance the goals of the federal act and state
2 innovation; and

3 (2) Recommendations on the allocation of existing moneys
4 available for health reform and innovation, including
5 any proposed legislation.

6 (g) The task force shall submit a final report of its
7 findings and recommendations to the legislature, including any
8 proposed legislation and the draft application, no later than
9 twenty days prior to the convening of the regular session of
10 2016.

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

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

15 SECTION 15. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so much
17 thereof as may be necessary for fiscal year 2014-2015 for the
18 operations of the state innovation waiver task force.

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



1 PART III

2 SECTION 16. In codifying the new sections added by section
3 2 of this Act, the revisor of statutes shall substitute
4 appropriate section numbers for the letters used in designating
5 the new sections in this Act.

6 SECTION 17. Statutory material to be repealed is bracketed
7 and stricken. New statutory material is underscored.

8 SECTION 18. This Act shall take effect on July 1, 2050.



Report Title:

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

Description:

Establishes the Office of Health Care Transformation within the State Health Planning and Development Agency. Changes the name of the State Health Planning and Development Agency to the Hawaii Health Care Planning and Policy Authority. Establishes the Health Care Transformation Special Fund. Establishes and appropriates funds for the state innovation waiver task force to develop a plan for applying for a state innovation waiver under the PPACA. Makes appropriation. Effective July 1, 2050.
(SB2827 HD1 PROPOSED)

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

