

JAN 23 2020

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# A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1           SECTION 1. The legislature finds that the cost of living  
2 in Hawaii continues to rise, and the cost of health care  
3 contributes to this high cost of living. The legislature  
4 further finds that Vermont enacted legislation establishing a  
5 single-payer health care system at the state-level in 2011 but  
6 had abandoned the plan by 2014. Additionally, the California  
7 Assembly attempted to pass legislation for universal health care  
8 but was unable to because of the millions of taxpayer dollars  
9 required for such a program. A different approach must be taken  
10 to reduce the high costs of healthcare.

11           The legislature further finds that the human-induced global  
12 climate crisis requires thoughtful but bold response on many  
13 fronts to make Hawaii communities resilient to the impacts of  
14 climate change that threaten the very survivability of the  
15 State. Lest Hawaii lose its leadership position in meeting the  
16 future of labor, justice and equity, the legislature embraces  
17 aloha 'āina as a Green New Deal to decarbonize Hawaii's systems



1 of food, energy, and transportation and sequester carbon through  
2 systems of agriculture, waste management and ecosystem  
3 restoration. This solid foundation finds synergies with  
4 expanded access to health care, housing and education,  
5 multiplying good jobs and ensuring justice and equity for  
6 Hawaii's citizens. The following measure represents a forward  
7 step in mitigating and adapting Hawaii to inevitable change.

8 The purpose of this Act is to require the Hawaii health  
9 authority to establish a five-year all-payer health care pilot  
10 program in a county with a population greater than five hundred  
11 thousand.

12 SECTION 2. Chapter 322H, Hawaii Revised Statutes, is  
13 amended by adding a new part to be appropriately designated and  
14 to read as follows:

15 "PART . ALL-PAYER HEALTH CARE PILOT PROGRAM

16 §322H-A Definitions. As used in this part:

17 "Authority" means the Hawaii health authority.

18 "Payer" means any entity that pays or administers the  
19 payment of health insurance claims to providers in the State,  
20 including but not limited to health insurance companies, health



1 maintenance organizations, mutual benefit societies, medicaid,  
2 and medicare.

3 "Pilot program" means the all-payer health care pilot  
4 program established pursuant to section 322H-B.

5 "Provider hospital" means a hospital licensed pursuant to  
6 section 321-14.5 that operates in a county with a population  
7 greater than five hundred thousand.

8 "Revolving fund" means the all-payer health care revolving  
9 fund.

10 **§322H-B All-payer health care pilot program; established.**

11 (a) There shall be established an all-payer health care pilot  
12 program to be administered by the Hawaii health authority in  
13 collaboration with the department of health. The pilot program  
14 shall be applicable only to provider hospitals in a county with  
15 a population greater than five hundred thousand. The purpose of  
16 the pilot program shall be to ensure all payers with an existing  
17 relationship with a provider hospital pay the same standardized  
18 fees for a given service.

19 (b) Beginning on January 1, 2021, and on or before each  
20 January 1 until the end of the pilot program and notwithstanding  
21 any law to the contrary, any payer with an existing relationship



1 with a provider hospital shall pay a mandatory contribution to  
2 the authority to be deposited into the all-payer health care  
3 revolving fund established pursuant to section 322H-D.

4 Contributions paid under this subsection shall be determined by  
5 the authority pursuant to section 322H-C.

6 **§322H-C All-payer payer contributions; calculations.** (a)

7 Contributions owed by a payer shall be determined by the  
8 authority. When calculating the contributions owed pursuant to  
9 this part, the authority shall consider each payer's subscriber  
10 population in relation to population of a county with a  
11 population greater than five hundred thousand, adjusted for the  
12 burden of illness in that payer's subscriber population.

13 **§322H-D Budget.** (a) On or before December 31, 2020, and  
14 on or before each December 31 thereafter until the end of the  
15 pilot program, all provider hospitals shall submit an operating  
16 budget to the authority for the following fiscal year.

17 (b) On or before June 30, 2021, and on or before each  
18 June 30 thereafter until the end of the pilot program, the  
19 authority, in collaboration with the department of health and  
20 the provider hospitals participating in the pilot program, shall



1 establish a global county health care budget. The global county  
2 budget shall include:

3 (1) A global operating budget for all provider hospitals;  
4 provided that the global operating budget shall  
5 consider the following factors for each provider  
6 hospital:

7 (A) The quantity and type of all services provided by  
8 the provider hospital in the previous three-year  
9 period;

10 (B) The actual expenditures of the hospital in the  
11 hospital's most recent cost report;

12 (C) Projected changes in the volume and type of  
13 services expected to be provided by the provider  
14 hospital;

15 (E) Wages for provider hospital employees, including  
16 all health care providers;

17 (F) Traditional rates billed for services provided by  
18 the provider hospital;

19 (G) Estimated operating expenses anticipated to meet  
20 community need; and



1           (H) Any other factors determined appropriate by the  
2           authority.

3           (2) A capital expenditures budget for each provider  
4           hospital, based on estimated costs associated with  
5           necessary construction or renovation of any facilities  
6           of the hospital; and

7           (3) A special projects budget to address certain needs of  
8           each provider hospital, including construction of new  
9           facilities, purchasing of major equipment, and hiring  
10          of providers to address any physician shortages.

11          (c) The authority shall review the county health budget  
12 prior to June 30 of each year and shall determine whether  
13 adjustments to the yearly county health budget are warranted,  
14 including consideration for additional funding for unanticipated  
15 items and services or market-shift adjustments.

16          **§322H-E All-payer health care pilot program revolving**  
17 **fund; established.** (a) There is established the all-payer  
18 health care revolving fund to be administered by the authority  
19 into which shall be deposited the contributions made by provider  
20 hospitals pursuant to section 322H-B.



1           (b) On or before July 1, 2021, and on or before every  
2 July 1 thereafter until the end of the pilot program, the  
3 authority shall pay to each provider hospital a lump sum based  
4 on the percentage of the global operating budget allocated to  
5 that provider hospital pursuant to section 322H-D.

6           (c) The authority may reserve moneys in the fund for  
7 payment of capital expenditures, payable to a provider hospital  
8 via a grant approved by the legislature and based on community  
9 need.

10           **§322H-F Reporting requirement.** (a) The authority, in  
11 collaboration with the department of health, shall submit  
12 initial progress reports to the legislature no later than twenty  
13 days prior to the convening of the regular sessions of 2022,  
14 2023, and 2024. The progress reports shall include:

15           (1) The operating budget for each provider hospital for  
16 the relevant fiscal year;

17           (2) The global operating budget, determined pursuant to  
18 section 322H-D, for the relevant fiscal year;

19           (3) The contribution into the revolving fund by each  
20 payer, determined pursuant to section 322H-C, for the  
21 relevant fiscal year;



1 (4) All disbursements made out of the revolving fund;

2 (5) The current balance of the revolving fund; and

3 (6) Any proposed legislation.

4 (b) The authority, in collaboration with the department of  
5 health, shall submit a final report to the legislature no later  
6 than twenty days prior to the convening of the regular session  
7 of 2025. In addition to the requirements under subsection

8 (a) (1) through (6), the final report shall include:

9 (1) Any approximant cost savings to each provider hospital  
10 and the State as the result of the program, including  
11 the fiscal impact on each provider hospital's  
12 operating budget and the State's budget; and

13 (2) A recommendation about whether to terminate, continue,  
14 or expand the pilot program.

15 **§322H-G Rules.** The authority shall adopt rules pursuant  
16 to chapter 91 necessary to carry out the purposes of this part."

17 SECTION 3. Chapter 322H, Hawaii Revised Statutes, is  
18 amended by designating sections 322H-1 through 322H-2 as part I  
19 and inserting a title before section 322H-1 to read as follows:

20 **"PART I. GENERAL PROVISIONS"**





# S.B. NO. 2980

1           SECTION 4. There is appropriated out of the general  
 2 revenues of the State of Hawaii the sum of \$                    or so  
 3 much thereof as may be necessary for fiscal year 2020-2021 to  
 4 implement the all-payer health care pilot program established  
 5 pursuant to this Act.

6           The sum appropriated shall be expended by the Hawaii health  
 7 authority for the purposes of this Act.

8           SECTION 5. In codifying the new sections added by section  
 9 2 of this Act, the revisor of statutes shall substitute  
 10 appropriate section numbers for the letters used in designating  
 11 the new sections in this Act.

12          SECTION 6. New statutory material is underscored.

13          SECTION 7. This Act shall take effect on July 1, 2020, and  
 14 shall be repealed on December 30, 2025.

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INTRODUCED BY: \_\_\_\_\_ *[Signature]*

**By Request**



# S.B. NO. 2980

**Report Title:**

All-payer Healthcare Pilot Program; Establishment; Hawaii Health Authority; Revolving Fund; Appropriation

**Description:**

Requires the Hawaii Health Authority to establish a five-year all-payer health care pilot program in a county with a population greater than 500,000. Requires certain payers to deposit contributions into the all-payer health care pilot program revolving fund, to be distributed to provider hospitals participating in the pilot program. Specifies budgetary requirements and calculation of fees for the pilot program. Requires reports to the legislature. Appropriates funds.

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

