

JAN 23 2020

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# A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH AUTHORITY.

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

1           SECTION 1. (a) The legislature finds that the human-  
2 induced global climate crisis requires thoughtful but bold  
3 response on many fronts to make Hawaii communities resilient to  
4 the impacts of climate change that threaten the very  
5 survivability of the State. Lest Hawaii lose its leadership  
6 position in meeting the future of labor, justice and equity, the  
7 legislature embraces aloha 'āina as a Green New Deal to  
8 decarbonize Hawaii's systems of food, energy, and transportation  
9 and sequester carbon through systems of agriculture, waste  
10 management and ecosystem restoration. This solid foundation  
11 finds synergies with expanded access to health care, housing and  
12 education, multiplying good jobs and ensuring justice and equity  
13 for Hawaii's citizens. The following measure represents a  
14 forward step in mitigating and adapting Hawaii to inevitable  
15 change.

16           (b) The legislature further finds that the Hawaii health  
17 authority was established in 2009 as an autonomous body



1 responsible for the overall health planning for the State and  
2 for advising the State on the future capacity needs of the  
3 people of Hawaii for health providers, facilities, equipment,  
4 and support service providers. However, the legislature finds  
5 that the authority has been deprived of resources since late  
6 2014 and needs to be reinvigorated and provided with necessary  
7 funding to carry out its duties and responsibilities. This  
8 includes developing a comprehensive plan for all individuals in  
9 Hawaii.

10 In developing a comprehensive health plan, the legislature  
11 asks the Hawaii health authority to consider including in the  
12 comprehensive health plan the use of the all-payer healthcare  
13 model as adopted in the State of Maryland for hospitals. An  
14 all-payer health care model:

- 15 (1) Requires the same price for the same service  
16 regardless of the source of funding for a given  
17 patient, thereby achieving substantial administrative  
18 savings and eliminating a major cause of  
19 discrimination against sicker, poorer patients,  
20 including those covered by medicaid;



- 1           (2) Establishes a standardized, simplified fee schedule  
2           for independent professionals that is negotiated  
3           between the State and associations representing health  
4           professionals, and applies to all payers doing  
5           business in the State of Hawaii;
- 6           (3) Pools hospital funding from all payers so as to pay  
7           hospitals with global operating budgets, instead of  
8           fee-for-service, eliminating most billing and  
9           collection costs, cost-shifting due to losses from  
10          uncompensated and under-compensated care, and  
11          substantially reducing other hospital administrative  
12          costs. Incentives for hospitals shall also be  
13          eliminated, allowing for resources to be focused on  
14          services that are profitable under fee-for-service, at  
15          the expense of needed services that are generally not  
16          profitable under fee-for-service, including emergency  
17          services, psychiatric services, and geriatric care;  
18          and
- 19          (4) Outlines actions needed for acquiring medicare and  
20          medicaid waivers from the federal government to  
21          implement an all-payer health payment system.



1           (c) The legislature further finds that the unfunded  
2 liabilities of the Hawaii employer-union health benefits trust  
3 fund must be addressed to avoid potentially millions of dollars  
4 in unfunded liabilities in later years and can be done so in the  
5 comprehensive health plan. A plan and structure that best  
6 address the liabilities that are currently unfunded have the  
7 following features:

- 8           (1) Provide health benefits to state and county employees  
9           and retirees using a self-funding model in which the  
10           state retains insurance risk, eliminating the need to  
11           pre-fund health benefits as required when contracting  
12           health benefits through fully insured health plans;
- 13           (2) Cap public employer prefunding through the Hawaii  
14           employer-union health benefits trust fund and other  
15           post-employment benefits trust fund once the separate  
16           accounts for each public-employer have a combined  
17           balance of at least \$2,000,000,000;
- 18           (3) Thereafter, transfer any investment income and  
19           interest from the Hawaii employer-union health  
20           benefits trust fund and other post-employment benefits  
21           trust fund to a newly established rate stabilization



1           reserve fund, which will provide reserve funding to  
2           stabilize the Hawaii employer-union health benefits  
3           trust fund when the trust fund has insufficient moneys  
4           to cover the costs of providing health and other  
5           benefits plans for active employees and retirees and  
6           their beneficiaries; and

7           (4) Continue to provide for the use of a portion of  
8           transient accommodations tax revenues to supplement  
9           deficient county public employer contribution amounts  
10          if necessary.

11          (d) Accordingly, the purpose of this Act is to enable the  
12          Hawaii health authority to fulfill its duties and  
13          responsibilities, which include developing a comprehensive  
14          health plan for all individuals in Hawaii, by:

15          (1) Directing the Hawaii health authority to submit a  
16          comprehensive health plan that includes an all-payer  
17          model and a funding source for the unfunded  
18          liabilities of the Hawaii employer-union health  
19          benefits trust fund; and



1           (2) Appropriating funds to the Hawaii health authority for  
2           the hiring of an executive director and other staff  
3           and expenses necessary for the authority.

4           SECTION 2. Section 322H-1, Hawaii Revised Statutes, is  
5 amended to read as follows:

6           " ~~[f]~~ §322H-1 ~~[f]~~ **Hawaii health authority; establishment.**

7           (a) There is established within the department of budget and  
8 finance for administrative purposes the Hawaii health authority.  
9 The authority shall be an autonomous public body corporate and  
10 politic and an instrumentality of the State.

11           (b) The authority shall be composed of nine members  
12 appointed by the governor as provided in section 26-34; provided  
13 that three members shall be appointed from a list of nominees  
14 submitted by the speaker of the house of representatives and  
15 three members shall be appointed from a list of nominees  
16 submitted by the president of the senate ~~[- All]~~; provided  
17 further that beginning July 1, 2020, the governor shall provide  
18 for staggered terms. Thereafter, all members shall be appointed  
19 for terms of four years each. The majority of the members shall  
20 be health care professionals with direct patient care  
21 experience. All members must share a commitment to the goal of



1 an integrated universal health care system covering all  
2 residents of Hawaii, and the members shall be representative of  
3 the diversity of the citizens of the State.

4 (c) [~~One member shall be selected to be the executive~~  
5 ~~director and confirmed by a majority vote of a quorum of the~~  
6 ~~members of the Hawaii health authority.] The authority shall  
7 hire an executive director who shall be exempt from chapter 76  
8 and such other staff as necessary to assist in the performance  
9 of the authority's duties and responsibilities. The staff of  
10 the authority shall be hired without regard to chapter 76;  
11 provided that the executive director and staff shall be eligible  
12 to participate in state employee benefit plans.~~

13 (d) Each member shall hold office until the member's  
14 successor is appointed and qualified.

15 (e) Five members shall constitute a quorum, whose  
16 affirmative vote shall be necessary for all valid actions by the  
17 authority.

18 (f) The authority may incur expenses as it finds necessary  
19 to perform its duties and responsibilities. The authority shall  
20 submit an annual report accounting for its spending to the



1 director of finance and to the legislature no later than twenty  
2 days prior to the convening of each regular session."

3 SECTION 3. Section 322H-2, Hawaii Revised Statutes, is  
4 amended by amending subsection (e) to read as follows:

5 "(e) The authority shall submit [~~a comprehensive health~~  
6 ~~plan for all individuals in the State, including its findings~~  
7 ~~and recommendations, to the legislature no later than twenty~~  
8 ~~days prior to the convening of the regular session of 2012.] an  
9 updated comprehensive plan using an all-payer healthcare model  
10 and resolving unfunded liabilities of the Hawaii employer-union  
11 health benefits trust fund to the legislature no later than  
12 twenty days prior to the convening of the regular session of  
13 2021. The authority shall additionally survey matters relating  
14 to healthcare in the State of Hawaii, including findings and  
15 recommendations regarding such matters, and shall submit annual  
16 reports to the legislature no later than twenty days prior to  
17 the convening of each regular session."~~

18 SECTION 4. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$250,000 or so much  
20 thereof as may be necessary for fiscal year 2020-2021 to the  
21 Hawaii health authority for the hiring of an executive director





1 and other staff expenses necessary to carry out its duties and  
2 responsibilities.

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

5 SECTION 5. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 6. This Act shall take effect on July 1, 2020.

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INTRODUCED BY:

*AMM, MA.*

By Request



# S.B. NO. 3127

**Report Title:**

Hawaii Health Authority; Comprehensive Health Plan; Unfunded Liabilities; Appropriation

**Description:**

Directs HHA to submit to the legislature a comprehensive health plan that includes an all-payer model and a funding source for the unfunded liabilities of the employer-union health benefits trust fund. Amends the requirements for appointment to HHA. Appropriates funds to HHA for the hiring of an executive director and other staff and expenses necessary for the authority.

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

