

JAN 27 2021

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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 it is in the best  
2 interest of the State of Hawaii for each and every employer-  
3 union health benefits trust fund and medicaid beneficiary to  
4 have publicly provided, high-quality, and affordable health  
5 care. Health care involves more than just medical insurance  
6 payouts. It includes cost-saving preventive and early  
7 intervention measures, dental coverage, and mental illness  
8 treatment to prevent medical conditions from becoming chronic,  
9 permanently disabling, or fatal.

10       The legislature further finds that under Hawaii's current  
11 health care insurance system, health insurance companies have  
12 used their unilateral control over how health care is organized  
13 and paid for to erect obstacles to care for patients, through  
14 excessive prior authorizations, formulary restrictions, and  
15 networks with limited physician participation. This system also  
16 burdens physicians and hospitals with administrative demands  
17 such as pay for performance, pay for documentation, and



1   capitation, all of which require much more detailed  
2   documentation and data reporting) while controlling and  
3   restricting payment for primary care in particular. All of  
4   these things are driving Hawaii physicians out of practice or to  
5   leave the State.

6           Furthermore, health care rates are skyrocketing, creating  
7   an affordability and accessibility crisis for Hawaii's  
8   residents. The two largest cost drivers of health care in the  
9   United States and Hawaii are:

10           (1) The profit-driven complex of payment-reluctant, multi-  
11           payer health insurance bureaucracies competing to  
12           insure only the healthy and the wealthy, while leaving  
13           the individuals who need health care the most to be  
14           supported by taxpayers; and

15           (2) The high cost of prescription drugs.

16           The legislature further finds that for more than a quarter  
17   of a century, Hawaii was far ahead of most other states and  
18   often called itself the "health state" because of the Hawaii  
19   Prepaid Health Care Act of 1974. Hawaii was once known for  
20   having a low percentage of residents without health insurance --  
21   between two and five per cent in 1994.



1           However, the crisis in health care in the United States has  
2 also befallen Hawaii. Today, thousands of Hawaii residents,  
3 many of whom are children, lack health care coverage. Many  
4 other Hawaii residents are underinsured, unable to use their  
5 insurance properly or even at all, because of increasingly  
6 expensive deductibles and out-of-pocket co-payments for  
7 outpatient visits, diagnostic tests, and prescription drugs,  
8 among other things. Even well-insured individuals experience  
9 problems with their insurers denying, or very reluctantly  
10 dispensing, expensive medicines and treatments. About half of  
11 all bankruptcies are due to extremely expensive, catastrophic  
12 illnesses that are not covered after a certain cap is reached.  
13 Other persons are on the verge of bankruptcy, and their quality  
14 of life is seriously affected.

15           In addition, the legislature finds that a publicly  
16 administered, self-insured employer-union health benefits trust  
17 fund and medicaid health insurance model with one payout agency  
18 for caregivers and providers, adapted to meet the unique  
19 conditions in Hawaii, would be the most cost-effective form of  
20 health insurance for employer-union health benefits trust fund  
21 and medicaid beneficiaries. A self-insured employer-union



1 health benefits trust fund and medicaid health insurance system  
2 would be beneficial for the following reasons:

- 3 (1) For state and county union members and their  
4 dependents, as well as their employers, it means  
5 assuring health care while removing or greatly  
6 simplifying negotiation of health benefits and  
7 reducing their cost;
- 8 (2) For medicaid beneficiaries and for taxpayers, it means  
9 improved access to care, significant reductions in  
10 overall costs, increases in benefits, and the slowing  
11 of annual inflation cost increases. It also means a  
12 return from increasingly-uncaring, profit-driven  
13 health care to the restoration of human-need-driven,  
14 mutually respectful, and caring patient-doctor-nurse-  
15 and other caregiver relationships, which in earlier  
16 times were fundamental to meaningful health care;
- 17 (3) For the local economy, it means keeping almost all  
18 health care dollars in the State;
- 19 (4) For government, it means having one integrated,  
20 electronic, health information database for  
21 unprecedented planning and cost-containment



1 capabilities. It also means relief from the perceived  
2 emerging problem of unfunded liabilities associated  
3 with long-term funding of government retiree health  
4 care benefits;

5 (5) For physicians, nurses, and other caregivers, it means  
6 less paperwork, less work-related stress, and more  
7 time to take care of patients covered by the employer-  
8 union health benefits trust fund and medicaid;

9 (6) For hospitals, community health clinics, homecare  
10 providers, and long-term care facilities, it means  
11 sufficient and dependable annual financing through  
12 global budgets; and

13 (7) For medicaid beneficiaries, it means accessible and  
14 affordable health care and relief from the increasing  
15 and constant worries concerning health care coverage  
16 instability.

17 The purpose of this Act is to require the employer-union  
18 health benefits trust fund and medicaid to work with the Hawaii  
19 health authority to design self-insured health benefits programs  
20 that are as consistent and as closely aligned as possible, using



1 non-risk administrative services only contracts for necessary  
2 administrative functions.

3 SECTION 2. The Hawaii Revised Statutes is amended by  
4 adding a new chapter to be appropriately designated and to read  
5 as follows:

6 "CHAPTER

7 HAWAII SELF-INSURED HEALTH CARE SYSTEM

8 § -1 Hawaii self-insured health care system;  
9 **established.** There is established the Hawaii self-insured  
10 health care system to provide the same high-quality level of  
11 medically necessary health care to all employer-union health  
12 benefits trust fund and medicaid beneficiaries.

13 The purpose of this chapter is to require the employer-  
14 union health benefits trust fund and medicaid to work with the  
15 Hawaii health authority to design self-insured health benefits  
16 programs that are as consistent and as closely aligned as  
17 possible, using non-risk administrative services only contracts  
18 for necessary administrative functions.

19 § -2 Hawaii health authority; employer-union health  
20 **benefits trust fund; department of human services.** (a) The  
21 employer-union health benefits trust fund and medicaid division



1 of the department of human services shall collaborate to design  
2 and implement self-insured health care programs with consistent  
3 features approved by the Hawaii health authority and supported  
4 by non-risk administrative services only contracts for necessary  
5 administrative functions, including claims processing,  
6 credentialing, and administrative support for quality  
7 improvement.

8 (b) The Hawaii health authority, employer-union health  
9 benefits trust fund, and medicaid division of the department of  
10 human services shall retain responsibility for the design of the  
11 health care system, including:

- 12 (1) Determining fees and payment systems for hospitals,  
13 institutional providers of care, physicians, and other  
14 health care professionals;  
15 (2) Setting prior authorization policies;  
16 (3) Determining formularies; and  
17 (4) Designing quality improvement programs and incentives.

18 These functions shall not be delegated through non-risk  
19 administrative services only contracts.

20 (c) The department of human services shall not execute any  
21 contract for medicaid services, unless such services shall be



1 pursuant to a primary care case management model with a non-risk  
2 administrative services only contract for necessary  
3 administrative functions. As used in this subsection, "primary  
4 care case management model" means a system of health care in  
5 which a primary care provider is paid a monthly case management  
6 fee to assume responsibility for care management and  
7 coordination of an enrolled medicaid beneficiary.

8 (d) It shall be an impermissible conflict of interest for  
9 an entity simultaneously to:

10 (1) Have administrative authority over an employer-union  
11 health benefits trust fund or medicaid contract; and

12 (2) Serve as a medical services provider under such  
13 employer-union health benefits trust fund or medicaid  
14 contract.

15 The department of human services shall not execute contracts for  
16 medical services provided through a managed care organization."

17 SECTION 3. Chapter 322H, Hawaii Revised Statutes, is  
18 amended by adding a new section to be appropriately designated  
19 and to read as follows:

20 "§322H- Executive director. The Hawaii health  
21 authority shall be authorized to employ an executive director,



1 at a salary not to exceed \$ per year. The executive  
2 director shall be exempt from chapter 76 and serve under and at  
3 the pleasure of the authority."

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

6 **"§322H-2 Hawaii health authority; duties and**  
7 **responsibilities.** (a) The authority shall be responsible for  
8 overall health planning for the State and shall be responsible  
9 for determining future capacity needs for health providers,  
10 facilities, equipment, and support services providers.

11 (b) The authority shall develop a comprehensive health  
12 plan that includes:

- 13 (1) Establishment of eligibility for inclusion in a health  
14 plan for all individuals;
- 15 (2) Determination of all reimbursable services to be paid  
16 by the authority;
- 17 (3) Determination of all approved providers of services in  
18 a health plan for all individuals;
- 19 (4) Evaluation of health care and cost effectiveness of  
20 all aspects of a health plan for all individuals; and



(5) Establishment of a budget for a health plan for all individuals in the State.

(c) The authority shall determine the waivers that are necessary and available by federal law, rule, or regulation necessary to implement and maintain this chapter.

(d) The authority shall adopt rules pursuant to chapter 91 necessary for the purposes of this chapter.

(e) The authority shall submit a comprehensive health plan for all individuals in the State, including its findings and recommendations, to the legislature no later than twenty days prior to the convening of the regular session of 2012.

(f) Pursuant to chapter , the authority shall work with the employer-union health benefits trust fund and medicaid division of the department of human services to design self-insured health benefits programs that are as consistent and as closely aligned as possible, using non-risk administrative services only contracts for necessary administrative functions."

SECTION 5. There is appropriated out of the employer-union health benefits trust fund the sum of \$ or so much thereof as may be necessary for fiscal year 2021-2022 and the same sum or so much thereof as may be necessary for fiscal year



1 2022-2023 for the Hawaii health authority to plan, design, and  
2 support self-insured health care programs for employer-union  
3 health benefits trust fund and medicaid beneficiaries.

4 The sums appropriated shall be expended by the department  
5 of budget and finance for the purposes of this Act.

6 SECTION 6. If any provision of this Act, or the  
7 application thereof to any person or circumstance, is held  
8 invalid, the invalidity does not affect other provisions or  
9 applications of the Act that can be given effect without the  
10 invalid provision or application, and to this end the provisions  
11 of this Act are severable.

12 SECTION 7. New statutory material is underscored.

13 SECTION 8. This Act shall take effect on May 1, 2021.

14  
INTRODUCED BY:  \_\_\_\_\_



# S.B. NO. 983

**Report Title:**

Hawaii Self-insured Health Care System; Hawaii Health Authority;  
EUTF; Medicaid

**Description:**

Establishes the Hawaii self-insured health care system, to be  
developed by the Hawaii health authority, EUTF, and medicaid.  
Effective 5/1/2021.

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not legislation or evidence of legislative intent.*

