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## SENATE CONCURRENT RESOLUTION

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REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A  
FINANCIAL ANALYSIS OF THE MANAGED CARE ORGANIZATIONS THAT  
ADMINISTER THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND BY  
AUDITING THE AMOUNTS PAID FOR HEALTH CARE AND AMOUNTS PAID  
FOR ADMINISTRATIVE SERVICES.

1 WHEREAS, Hawaii has long been a leader in advancing medical  
2 services and health care, advocating the importance of access to  
3 health care without discrimination, and implementing forward-  
4 thinking health care policies, such as the Prepaid Health Care  
5 Act of 1974; and  
6

7 WHEREAS, it is in the best interest of the State for every  
8 Employer-Union Health Benefits Trust Fund beneficiary to have  
9 publicly provided, high-quality, and affordable health care; and  
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11 WHEREAS, health care involves more than just medical  
12 insurance payouts and also includes cost-saving preventive and  
13 early intervention measures, dental coverage, and mental illness  
14 treatment to prevent medical health conditions from becoming  
15 chronic, permanently disabling, or fatal; and  
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17 WHEREAS, under Hawaii's existing health care insurance  
18 system, health insurance companies have used their unilateral  
19 control over how health care is organized and paid for to erect  
20 obstacles to care for patients through excessive prior  
21 authorizations, formulary restrictions, and networks with  
22 limited physician participation; and  
23

24 WHEREAS, this system also burdens physicians and hospitals  
25 with administrative demands, such as pay for performance, pay  
26 for documentation, and capitation, all of which require much  
27 more detailed documentation and data reporting while controlling  
28 and restricting payment for primary care in particular, which



1 results in physicians being driven out of practice or leaving  
2 the State; and

3  
4 WHEREAS, health care rates are skyrocketing, creating an  
5 affordability and accessibility crisis for Hawaii's residents;  
6 and

7  
8 WHEREAS, the two largest cost drivers of health care in the  
9 United States and Hawaii are:

10  
11 (1) High administrative costs due to reliance on a  
12 competitive insurance business model that incentivizes  
13 denial and obstruction of care, micromanagement of  
14 doctors and hospitals, and attempts to avoid covering  
15 or paying for sicker and socially disadvantaged  
16 patients and populations, resulting in disparities in  
17 access to care; and

18  
19 (2) The high cost of prescription drugs; and

20  
21 WHEREAS, for more than a quarter of a century, Hawaii was  
22 far ahead of most other states, often calling itself the "Health  
23 State" because of the Hawaii Prepaid Health Care Act of 1974,  
24 and was once known for having a low percentage of residents  
25 without health insurance, which was between two and five percent  
26 in 1994; and

27  
28 WHEREAS, as a result of the coronavirus disease 2019  
29 pandemic, thousands of Hawaii residents have lost their jobs and  
30 health insurance, making it critical for the State to support  
31 struggling families by ensuring preventive care and limiting  
32 out-of-pocket costs; and

33  
34 WHEREAS, the safeguarding of access to health care,  
35 solidification of the essential health benefits that have  
36 changed thousands of lives, and improvement of overall access to  
37 care requires the preservation of certain important aspects of  
38 the federal Patient Protection and Affordable Care Act and the  
39 expansion of access to care for residents of Hawaii; and

40  
41 WHEREAS, negotiations between the health insurance industry  
42 and the Obama Administration in 2011 allowed health insurance



1 plans to reclassify "medical management" costs as health care  
2 instead of administrative costs for the purposes of reporting  
3 medical loss ratios, enabling large administrative costs to be  
4 hidden; now, therefore,

5  
6 BE IT RESOLVED by the Senate of the Thirty-first  
7 Legislature of the State of Hawaii, Regular Session of 2022, the  
8 House of Representatives concurring, that the Legislative  
9 Reference Bureau is requested to conduct a financial analysis of  
10 the managed care organizations that administer the Employer-  
11 Union Health Benefits Trust Fund by auditing the amounts paid  
12 for health care and amounts paid for administrative services;  
13 and

14  
15 BE IT FURTHER RESOLVED that in its financial analysis, the  
16 Legislature Reference Bureau is requested to:

- 17  
18 (1) Conduct an analysis of the effects of payment reforms  
19 and payment of primary care physicians with capitation  
20 on practice administrative costs and burdens and their  
21 contributions to Hawaii's physician shortage;  
22  
23 (2) Analyze "medical management" administrative costs and  
24 the administrative cost of payment reforms from  
25 payments to providers for provision of health care;  
26 and  
27  
28 (3) Investigate other issues it deems relevant; and  
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30 BE IT FURTHER RESOLVED that the Legislative Reference  
31 Bureau is requested to submit a report of its findings and  
32 recommendations, including any proposed legislation, to the  
33 Legislature no later than twenty days prior to the convening of  
34 the Regular Session of 2023; and  
35

36 BE IT FURTHER RESOLVED that certified copies of this  
37 Concurrent Resolution be transmitted to the Director of the  
38 Legislative Reference Bureau and Administrator of the Hawaii  
39 Employer-Union Health Benefits Trust Fund.  
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41  
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S.C.R. NO. 239

OFFERED BY:

A handwritten signature in black ink, consisting of a stylized, cursive letter 'R' or similar shape, positioned above a horizontal line.