

ACT 146

An Act Relating to Group Medical and Hospital Care for Public Officials and Employees, Retirees, Pensioners, and Their Dependents, and Making Appropriations Therefor.

Be it Enacted by the Legislature of the State of Hawaii:

SECTION 1. Add to the Revised Laws of Hawaii 1955, as amended, a new chapter and sections which shall be appropriately numbered and to read as follows :

HAWAII PUBLIC EMPLOYEES HEALTH FUND

Sec. 1. **Definitions.** As used in this chapter :

- (a) 'board' means the board of trustees as described in section 6 ;
- (b) 'carrier' means a voluntary association, corporation, partnership or organization engaged in providing, paying for, arranging for or reimbursing the cost of health services under group insurance contracts or medical or hospital services agreements ;
- (c) 'contributions' means money payments made to the fund by the State or an employee-beneficiary ;
- (d) 'dependent-beneficiary' means the spouse and legal children of an employee beneficiary deemed eligible by the board to receive health services of a health benefits plan ;
- (e) 'employee' means an employee or officer of the state or county government including :
 - (1) a regularly employed member of the faculty of the University of Hawaii, including a research worker, an extension agent, or a person engaged in instructional or administrative work of the University ;

* See Act 121.

(2) a regularly employed administrative officer, principal, vice-principal, teacher, special teacher, cafeteria manager or cafeteria worker of the public schools;

(3) an apprentice or on-the-job trainee whether or not supported by any federal grant;

(4) an elective officer other than a member of the legislature;

(5) a probationary employee;

(6) a per diem employee;

(7) an officer or employee under an authorized leave of absence; or

(8) an employee of the Hawaii National Guard although paid from federal funds.

(9) a retired member of the employees' retirement system, the county pension system or the police, firemen or bandsmen pension systems of the State or county; but excluding:

(1) a designated beneficiary of a retired member of the employees' retirement system, the county pension system or the police, firemen or bandsmen pension system of the State or county;

(2) a person employed temporarily on a fee or contract basis;

(3) a person hired on a part-time, limited-term, or provisional basis;

(4) a member of a board, commission or agency appointed by the governor, or mayor or chairman of the State or county, respectively; and

(5) a member or employee of the legislature;

(f) 'employee-beneficiary' means an employee deemed eligible by the board to receive health services of a health benefits plan;

(g) 'fund' means the trust fund as described in section 2;

(h) 'health benefits plan' means a group insurance contract or medical or hospital service agreement in which a carrier agrees to provide, pay for, arrange for or reimburse the cost of health services as determined by the board;

(i) 'periodic charge' means the periodic payment by the board to a carrier for any health benefits plan; and

(j) 'trustee' means a trustee of the board of trustees as described in section 6.

TRUST FUND

Sec. 2. **Establishment of the fund.** There is hereby established a health trust fund to be known as the "Hawaii Public Employees Health Fund".

The fund shall consist of contributions, interest, income, dividends, refunds, rate credits and other returns.

The fund shall be under the control of the board and placed within the department of budget and review for administrative purposes. The director of the budget shall have custody of the fund.

Sec. 3. **Purpose of the fund.** The fund shall be used solely for the purpose of providing employee-beneficiaries and dependent-beneficiaries with a health benefits plan, provided that the fund may be used for other expenses necessary to effectuate such purpose.

Sec. 4. **State contributions to the fund.** Effective January 1, 1962 and every month thereafter, the State through the department of budget and review shall pay to the fund a monthly contribution of three dollars (\$3) for each employee-beneficiary and ten dollars (\$10) for each employee-beneficiary with a dependent-beneficiary. No contribution, however, shall be made by the State for any employee who is entitled to receive health benefits under any federal

medical care program for the aged, if such health benefits are equivalent to, or better than, benefits of health benefits plans under this Act.

If both husband and wife are employee-beneficiaries, the total contribution by the State shall be ten dollars (\$10) for both of them.

Such contribution shall not be considered as wages or salary of an employee and no employee shall have any vested right in or be entitled to receive any part of any contribution made to the fund.

Sec. 5. Contribution by an employee-beneficiary. Each employee-beneficiary shall make a monthly contribution to the fund amounting to the difference between the monthly charge of the health benefits plan selected by the employee-beneficiary and the State's contribution to the fund.

During the period the health benefits plan selected by an employee-beneficiary is in effect, the employee-beneficiary shall authorize, if allowed under present laws, that his contribution be withheld and transmitted to the fund monthly by the comptroller, county auditor or finance officer from whom he receives his compensation, pension, or retirement pay. If, however, an employee-beneficiary's contribution to the fund is not withheld and transmitted to the fund, the employee-beneficiary shall pay his monthly contribution to the respective comptroller, county auditor or finance officer from whom he normally receives his compensation for transmittal to the fund by the 10th day of each month.

BOARD OF TRUSTEES

Sec. 6. Composition of board. The board shall consist of nine trustees, three of whom shall be representatives from different organizations representing public employees, three from different private business organizations, a member of the clergy, a teacher, and the director of the budget.

Sec. 7. Appointment and removal of trustees. Each trustee shall be appointed by the governor, provided that no person who is a medical physician, nor any employee, officer or agent of any hospital, medical association, medical society, carrier, potential carrier, or any insurance company, or association or board of insurance underwriters shall be appointed.

Each trustee shall accept his appointment in writing.

A trustee may be removed by the governor for good cause.

Sec. 8. Term of a trustee; vacancy. Except for the director of the budget, the normal term of each trustee is three years. Of the first nine trustees appointed, three shall be appointed for a term of one year, three for two years, two for three years and the director of the budget shall serve during his term of office as director of the budget.

A vacancy on the board shall be filled by appointment of the governor. The person appointed to fill a vacancy shall serve for the remainder of the term of his predecessor.

If by the end of his term a trustee is not reappointed or his successor is not appointed, he shall serve until his successor is appointed.

Sec. 9. Chairman and secretary-treasurer. The trustees shall select one of their members to serve as a chairman and one to serve as secretary-treasurer of the Board.

Sec. 10. Compensation and expenses of a trustee. Each trustee shall serve without compensation, but he may be reimbursed from the fund for any necessary expense made in behalf of the fund.

Sec. 11. Legal adviser. The attorney general shall serve as legal adviser to the board.

POWERS AND DUTIES OF THE BOARD

Sec. 12. **Administration of the fund.** The board shall administer and carry out the purpose of the fund.

Sec. 13. **Determine health and benefits plan; contract with carriers.** The board shall determine the health services of the health benefits plans, which shall be excepted from the minimum group requirements of chapter 181 of the Revised Laws of Hawaii 1955, as amended. Such health benefits plan shall provide, pay for, arrange for, or reimburse the costs of hospitalization, surgery, medical treatment and care and may include prescribed drugs, medicines, prosthetic appliances, hospital in-patient and out-patient service benefits and medical indemnity benefits.

The board may contract for the following health benefits plans provided that benefits under any respective plan shall be equally available to all employees and their dependents selecting such plan regardless of age:

(a) a statewide indemnity benefit plan under which a carrier agrees to pay certain sums of money not in excess of the actual expenses incurred for health services;

(b) a statewide service benefit plan under which payment is made by a carrier under contracts with physicians, hospitals or other providers of health services, or, under certain conditions, payment is made by a carrier to the employee;

(c) comprehensive group-practice prepayment plans which offer health benefits, in whole or in substantial part on a prepaid and community rated bases, with professional services provided by physicians practicing as a group in a common center or centers. Such a group shall include physicians representing at least three major medical specialties who receive all or a substantial part of their professional income from the prepaid funds.

Sec. 14. **Selection of carrier of indemnity plan.** Before selecting a carrier of an indemnity type health benefits plan the board shall:

(a) prepare specifications of a health benefits plan;

(b) submit specifications for sealed bids by interested carriers;

(c) evaluate bids of respective carriers; and

(d) give prime consideration to the carrier offering the lowest net cost and high quality of services.

Sec. 15. **Determine eligibility of employee or dependent.** The board shall establish and adopt eligibility requirements to determine which employee and dependent may qualify as an employee-beneficiary or dependent-beneficiary, respectively. Only an employee or dependent satisfying such eligibility requirements may qualify as an employee-beneficiary or dependent-beneficiary.

Sec. 16. **Information and enrollment.**

(a) The board shall make available to each employee-beneficiary information which will help each employee-beneficiary exercise an informed choice among the approved health benefits plans. Such information on all plans shall be distributed to each employee at the same time and in the same manner.

(b) The board shall establish conditions under which employees may transfer enrollment from one health benefits plan to another.

Sec. 17. **Other powers.** In addition to the power to administer the fund, the board may:

(a) collect, receive, deposit, withdraw and invest money in behalf of the fund;

(b) appoint an administrator and staff necessary to carry out the provisions

of this Act, subject to the limitations of available appropriations and the provisions of chapters 3, 4 and 5 of the Revised Laws of Hawaii 1955, as amended;

(c) make payments of periodic charges and pay for reasonable expenses incurred to carry out the purposes of the fund; or

(d) require any department, agency or employee of the State and county to furnish information to the board to carry out the purposes of this Act.

Sec. 18. Other duties. The board shall:

(a) authorize the director of the budget to make periodic charges and payments from the fund only upon vouchers countersigned by the chairman and secretary-treasurer;

(b) maintain accurate records and accounts of all financial transactions of the fund which shall be audited annually and summarized in an annual report by the state comptroller;

(c) maintain suitable and adequate records to carry out the purpose of the fund; and

(d) procure a fidelity bond of a reasonable amount for the chairman, secretary-treasurer and any other person authorized to handle money of the fund.

PROCEDURE OF THE BOARD

Sec. 19. Meetings; notice. The chairman may call a meeting of the board at any time by giving at least seven days' written notice of the time and place of the meeting to all other trustees.

Any two trustees may call a meeting of the board by giving at least ten days' written notice of the time and place to all other trustees.

A meeting of the board may be called at any time without notice if all trustees agree.

Sec. 20. Quorum. Five trustees shall constitute a quorum to transact business.

Sec. 21. Voting power; majority. Each trustee shall have one vote.

Any action taken shall be by a simple majority of trustees present at a meeting.

If the vote on any matter is deadlocked, every trustee of the board shall cast a vote.

Sec. 22. Records and minutes. The board shall keep records and minutes of all meetings of the board.

SECTION 2. Administrative appropriation. There is hereby appropriated out of the general funds of the State the sum of \$88,000, or so much thereof as may be necessary, to the department of budget and review for the initial expenses of establishing, operating and administering the "Hawaii Public Employees' Health Fund" for the period ending June 30, 1962.

SECTION 3. State contributing appropriation. There is hereby appropriated out of the general funds of the State the sum of \$943,782, or so much thereof as may be necessary, to the department of budget and review to cover the contributions of the State for the period beginning January 1, 1962 and ending June 30, 1962.

SECTION 4. Implementation. Implementation of this Act shall be completed and health benefits plans made available to employee-beneficiaries and dependent-beneficiaries by January 1, 1962. The board shall make a written report to the members of the legislature of the State of Hawaii at least thirty days before the legislature convenes for the 1962 Regular Session, setting forth its progress in implementing this Act.

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SECTION 5. Construction; severability. This Act shall be liberally construed in order to accomplish the purpose set forth in Section 3. If any part of the Act is declared invalid the remaining parts shall be valid.

SECTION 6. Effective date. This Act shall take effect upon its approval.
(Approved July 6, 1961.) **S.B. 17.**
