
A BILL FOR AN ACT

RELATING TO ADDRESSING THE HEALTH UNFUNDED LIABILITY.

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

- 1 SECTION 1. The legislature finds that, according to the
2 National Conference of State Legislatures, in 2010, forty-six
3 states self-insured or self-funded at least one of their
4 employee health care plans, and at least twenty states self-
5 funded all of their employee health care offerings.
- 6 The legislature also finds that self-insured or self-funded
7 plans have a number of potential advantages over fully insured
8 plans, including:
- 9 (1) Elimination of certain taxes and fees, including
10 premium taxes and market share fees under the federal
11 Patient Protection and Affordable Care Act;
- 12 (2) Lower administration costs;
- 13 (3) Savings from the elimination of profit margin and risk
14 charges by insurance carriers;
- 15 (4) Lack of a need to pre-pay for coverage, which allows
16 for improved cash flow;



- 1 (5) Greater control over health plan reserves, which
2 allows for higher investment returns on the reserves;
- 3 (6) Greater flexibility with benefit design, provider
4 networks, and add-on services; and
- 5 (7) Better data collection, which in turn allows for
6 better management of financials.

7 The legislature further finds that many states
8 administering self-insured or self-funded employee health care
9 plans have been able to lower costs while still maintaining a
10 high level of health benefits. For example, Mississippi's state
11 and school employee's life and health insurance plan has not
12 raised active employee premiums for the past six years, but has
13 still been able to expand benefits and access to quality
14 providers each year. Similarly, Utah's self-funded public
15 employee health program has benefitted from more than
16 \$10,000,000 in pharmacy rebates, which the state paid back into
17 the risk pools that earned the rebates. Also, Wisconsin's group
18 insurance board recently voted to transition its employee trust
19 fund from a fully insured plan to a self-funded plan by January
20 1, 2018. In doing so, Wisconsin estimates it will save more
21 than \$60,000,000 over the 2017-2019 biennium, and the state



1 expects to see similar savings over subsequent bienniums.
2 Finally, the City of Philadelphia has saved over \$20,000,000
3 from fiscal years 2008 through 2013 on the cost of health
4 benefits through a self-insured model.

5 Hawaii's employer-union health benefits trust fund is
6 currently fully insured rather than self-insured. However,
7 health care premiums have risen rapidly over the last decade.
8 During fiscal year 2015-2016 alone, premiums rose from
9 \$900,700,000 to over \$1,000,000,000, an increase of almost
10 \$100,000,000. Therefore, the legislature believes that it is
11 both prudent and essential that the State examine whether
12 converting the employer-union health benefits trust fund to a
13 self-insured model will result in cost savings. Cost savings
14 from this conversion could be reinvested toward the State's
15 large unfunded liability in the other post-employment benefits
16 trust fund, thus saving taxpayers large sums of money in the
17 long run.

18 The purpose of this Act is to require the legislative
19 reference bureau to study the feasibility of providing health
20 benefits to state and county employees using a self-insured
21 model.



1 SECTION 2. (a) The legislative reference bureau shall
2 study the feasibility of providing health benefits to state and
3 county employees using a self-insured model. In conducting the
4 study, the legislative reference bureau shall collect and take
5 into account thorough data on:

- 6 (1) Historical census;
- 7 (2) Health benefit premiums;
- 8 (3) Contributions;
- 9 (4) Plan documents;
- 10 (5) Claims information; and
- 11 (6) Any other information the legislative reference bureau
12 deems to be appropriate.

13 (b) In conducting the study under subsection (a), the
14 legislative reference bureau shall examine the potential impacts
15 of transitioning health benefits to a fully self-insured model,
16 partially self-insured model, or other risk retention model
17 including:

- 18 (1) Risks to the State from acting as its own insurer,
19 including but not limited to:
 - 20 (A) Uncontrolled utilization; and
 - 21 (B) Cost increases from catastrophic claims events;



- 1 (2) Investment returns on reserves in the employer-union
- 2 health benefits trust fund;
- 3 (3) Administrative cost savings, including any federal tax
- 4 or fee savings;
- 5 (4) Fiduciary and legal obligations of the State;
- 6 (5) Benefits available for employees and other insured
- 7 persons;
- 8 (6) Changes in provider reimbursement levels, capitation,
- 9 and care management practices;
- 10 (7) Any other factors or impacts the legislative reference
- 11 bureau deems to be relevant; and
- 12 (8) Risk assumptions used and analysis of the assumptions.
- 13 (c) The legislative reference bureau may contract the
- 14 services of another entity to perform any related services that
- 15 may be required pursuant to this Act.
- 16 (d) The legislative reference bureau shall submit a report
- 17 of its findings and recommendations, including any proposed
- 18 legislation, to the legislature no later than twenty days prior
- 19 to the convening of the regular session of 2018.
- 20 SECTION 3. There is appropriated out of the general
- 21 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2017-2018 for the
2 purposes of this Act.

3 The sum appropriated shall be expended by the legislative
4 reference bureau for the purposes of this Act.

5 SECTION 4. This Act shall take effect on July 1, 2030.



Report Title:

Public Officers and Employees; Health Benefits; Legislative Reference Bureau; Study; Appropriation

Description:

Requires the LRB to study the feasibility of providing health benefits to state and county employees using a self-insured model. Makes an appropriation. (HB888 HD1)

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