

S . B . NO . 2788

JAN 24 2018

A BILL FOR AN ACT

RELATING TO HEALTH ANALYTICS.

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

1 SECTION 1. In the last National Health Expenditures report
2 published in 2015, the Centers for Medicare and Medicaid
3 Services reported that as a nation the United States expended
4 \$3,200,000,000,000 on healthcare or \$9,990 per person, which
5 represents 17.8 per cent of Gross Domestic Product (GDP) of the
6 United States. The Centers for Medicare and Medicaid Services
7 further projected that national health spending would continue
8 to grow at an average rate of 5.6 per cent per year for 2016-
9 2025. Healthcare premiums growth have far outpaced inflation
10 and wages, with family health insurance premiums growing 131 per
11 cent over ten years (1999-2009), where workers' earning
12 increased only 38.1 per cent over that same time period
13 (Economic Policy Institute).

14 The Kaiser Family Foundation reported that, in 2014, the
15 total health spending in the State of Hawaii was approximately
16 \$10,338,000,000. In Hawaii, according to Hawaii department of
17 commerce and consumer affair's insurance division, health

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1 premiums have increased from \$1,262,118,865 in 1995 to
2 \$6,343,949,857 in 2015, an average increase of 20 per cent each
3 year. Healthcare premiums in Hawaii are an increasing
4 percentage of wages, growing from 2.8 per cent in 1974 with the
5 passage of the Prepaid Health Care Act to 14.7 per cent in 2015.
6 From 2010 to 2015, the small group healthcare premiums have
7 increased each year on average 6 per cent, and increased 7.5 per
8 cent on average from 2013 through 2015.

9 Medicaid enrollment and spending growth has also increased.
10 The National State Budget Officers' November 2017 State
11 Expenditure Report found that medicaid has grown from about 20
12 per cent of total state spending to 29 per cent of total state
13 spending for 2017. Excluding federal funds, medicaid was nearly
14 17 per cent of state fund expenditures, or a 7.1 per cent
15 increase in state fund spending.

16 In Hawaii, medicaid makes up 16 per cent of total state
17 expenditures, and 11 per cent of the State's general funds.
18 General fund expenditures for the State increased by 7.3 and 8.8
19 per cent from fiscal years 2015-2016 and 2016-2017 respectively.
20 Medicaid state fund expenditures increased by 6.3 per cent and
21 12.3 per cent during this same period. While this is largely
22 due to increased enrollment, increasing healthcare costs are
23 also part of the increasing trends.

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1 In 2016, the legislature amended section 323D-18.5, Hawaii
2 Revised Statutes, in Act 139, to facilitate greater transparency
3 in the healthcare sector and improve understanding of healthcare
4 costs, healthcare system quality, population health conditions,
5 and healthcare disparities through the development of what is
6 called an "all-payer claims data warehouse." The legislature
7 broadened the scope of health and healthcare data, and other
8 information, including certain healthcare services claims and
9 payment information, to be submitted to the state health
10 planning and development agency for analysis, dissemination of
11 medical treatment claims and payment information, lend
12 transparency to the healthcare sector, and to support public
13 policy decision making. The legislature articulated its beliefs
14 that consumers of health care and state decision makers who
15 regulate health care and insurance should have access to health
16 care claims payment data and analytics, that access to such data
17 will benefit members and retirants under the Hawaii employee-
18 union health benefits trust fund, as well as medicaid and
19 medicare recipients, and analysis of claims data will serve
20 other public purposes.

21 Reports from and analysis of the all-payers claims data
22 would serve the public purpose for use in program planning by
23 the department of human services Med-QUEST division, employee-

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1 union trust fund, department of health, department of commerce
2 and consumer affairs' insurance division, department of budget
3 and finance. Also, reports and analytics will assist the
4 efforts to improve the State's healthcare delivery system, and
5 the overall long-term health and well-being of the State's
6 workforce and retirees, and of its medicaid beneficiaries, with
7 the ultimate goal to reduce overall state-funded healthcare
8 costs.

9 Act 139 also included the Pacific Health Informatics and
10 Data Center of the University of Hawaii to provide data
11 stewardship and conduct analysis to further transparency and
12 understanding of healthcare and to provide actionable
13 information to healthcare programs and consumers.

14 The department of health and the state health planning and
15 development agency are tasked with promoting accessibility to
16 quality healthcare services for residents of the State at a
17 reasonable cost. Since enactment of Act 139, to implement and
18 operationalize its provisions the department of health and the
19 state health planning and development agency have been working
20 with the department of human services, the Hawaii employee-union
21 health benefits trust fund, the department of commerce and
22 consumer affairs' insurance division, the department of budget
23 and finance, the department of accounting and general services'

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1 office of enterprise technology services, and the University of
2 Hawaii. Data and health analytics have emerged as key aspects
3 in the comprehensive use of the data to be collected.

4 After careful consideration and to enhance and sustain
5 critical analytics of the State's medical claims data, these
6 entities reached consensus that a health analytics program be
7 established in the Med-QUEST division of the department of human
8 services. The Med-QUEST division already maintains or has
9 access to the required medical claims and administrative data of
10 the State's medicaid health insurance program that provides
11 coverage for one in four of Hawaii's residents.

12 As part of the overall continuous improvement of the
13 administration of the State's medicaid program, the Med-QUEST
14 division may be able to access federal matching funds to perform
15 the desired healthcare analytics. This would help sustain the
16 health analytics program. The health analytics program of the
17 Med-QUEST division will act as a state health planning and
18 development agency's designee and data center to receive
19 administrative data required to determine health benefits costs
20 from health insurance plans funded by the Hawaii employee-union
21 health benefits trust fund as contemplated by section 323D-18.5,
22 Hawaii Revised Statutes.

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1 Continuing to work with the department of health, the
2 department of commerce and consumer affairs, the state health
3 planning and development agency, and the University of Hawaii,
4 the health analytics program will provide analytics to achieve
5 the goals of Act 139 of increased transparency, better health,
6 better healthcare, and lower costs for beneficiaries of state
7 funded health insurance plans, including the medicaid program.

8 The health analytics program and the all-payers claims data
9 warehouse are key for administering state-run health programs,
10 including medicaid. For example, improving and expanding health
11 informatics and analytics capabilities are critical for the
12 State and the Med-QUEST division to respond to the current
13 congressional and federal administration's proposals to
14 undermine the Affordable Care Act health insurance coverage,
15 including the medicaid program. Also, as indicated above, the
16 State is facing rapidly increasing costs for healthcare in both
17 the private and public sector, especially medicaid and Hawaii
18 employee-union health benefits trust fund, that may slow or
19 stagnate economic growth and take up an increasing share of
20 limited state general funds that may be invested in other
21 sectors to promote overall community health and well-being.

22 Finally, the all-payers claims data warehouse is a needed
23 tool for medicaid to administer the program. In addition to

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1 essential basic functions of analyzing standardized comparative
2 quality indicators, cost trends and cost drivers, several
3 federal medicaid mandates can only be met by utilizing a
4 functioning all-payers claim data warehouse. For example, new
5 federal rules regarding medicaid managed care and network
6 adequacy require examining community standards for accessing
7 care. This standard-setting activity is only possible for Med-
8 QUEST to accomplish via readily accessible datasets and
9 informatics capability provided by the all-payers claims data
10 warehouse. To do this work will require four permanent exempt
11 full-time positions: health analytics and informatics program
12 director, the senior healthcare analytics and research
13 coordinator, the program and contracts financial coordinator,
14 and the healthcare statistician. The highly specialized
15 technical, analytic, statistical and programmatic skills
16 required, the limited applicant pool of individuals with these
17 specialized skills, and the large demand in the private and
18 public healthcare sector for such individuals necessitates the
19 positions to be exempt from civil service provisions of chapter
20 76. There is the potential of federal medicaid match of an
21 appropriation of general funds for these positions.

22 The purposes of this Act are to establish the health
23 analytics program in the Med-QUEST division of the department of

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1 human services, establish up to four positions exempt from the
2 Civil Service Act to be known as the health analytics and
3 informatics program administrator, the senior healthcare
4 analytics and research coordinator, the program and contracts
5 financial coordinator, and the healthcare statistician, to
6 appropriate funds for those positions, to appropriate funds for
7 administrative costs, and to appropriate funds for planning and
8 development of required technology and services to maintain the
9 data center and data infrastructure for claims data.

10 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
11 amended by adding a new part to be appropriately designated and
12 to read as follows:

13 "PART . HEALTH ANALYTICS

14 §346- Health analytics program;

15 appointments. (a) There is established within the department
16 of human services the health analytics program.

17 (b) The head of this program shall be known as the health
18 analytics and informatics program administrator, hereinafter
19 referred to as analytics administrator. The analytics
20 administrator shall have professional training in the field of
21 health analytics or a related field; and recent experience in a
22 supervisory, consultative, or administrative position. The
23 analytics administrator shall be appointed by the director.

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1 (c) The director may make further necessary position
2 appointments to the health analytics program to conduct data
3 analytics, informatics product development to support health
4 care services programs, and any other necessary services
5 including administrative services, required to perform the
6 duties of the program.

7 (d) The health analytics program will develop, design, or
8 implement databases; primarily an all-claims, all-payer
9 database, and an encompassing data center to collect and analyze
10 healthcare data. The health analytics program may provide, in
11 consultation with the state health planning and development
12 agency, the department of health, the department of commerce and
13 consumer affairs, the employee-union health benefits trust fund,
14 and the University of Hawaii, comparative cost and quality
15 information about Hawaii's healthcare systems and health plan
16 networks to consumers, providers, and purchasers of healthcare
17 in order to provide comparative information to government policy
18 makers and Hawaii residents.

19 (e) The health analytics program is authorized to procure
20 services in consultation with the department of health, and to
21 perform technical tasks including but not limited to data
22 management, data cleansing, data quality, data analytics, and
23 related activities that the program finds necessary to produce

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1 reports. The program and all associated technical vendors shall
2 be required to make use of the best available privacy and
3 security measures as required by law to protect access to
4 electronic protected health information, and shall provide for
5 further analysis data that is in limited datasets or de-
6 identified formats, within the confines of the established data
7 governance framework as provided in Hawaii administrative rules
8 adopted pursuant to chapter 91. All data sharing, use and
9 research shall be done in accordance with all applicable laws,
10 including laws regarding privacy, confidentiality, and research.

11 (f) Subject to available funding, the health analytics
12 program is authorized to serve as the contracting and data
13 center designee of the state health planning and development
14 agency.

15 (g) The health analytics program is authorized to contract
16 with the Pacific health informatics and data center of the
17 University of Hawaii, as a data analytics partner to the State.
18 The University of Hawaii may conduct core or additional
19 analytics functions and produce reports for the program and the
20 state health planning and development agency in this capacity.

21 (h) The health analytics program shall develop a plan for
22 the analysis, maintenance, and publication of data, in
23 consultation with the department of health, Hawaii employee-

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1 union health benefits trust fund, enterprise technology
2 services, department of commerce and consumer affairs' insurance
3 division, and the University of Hawaii. The plan shall be
4 updated annually.

5 (i) The department of human services shall adopt
6 administrative rules to implement this part pursuant to chapter
7 91."

8 SECTION 3. There is appropriated out of the general fund
9 revenues of the State of Hawaii the sum of \$768,480 or so much
10 thereof as may be necessary for fiscal year 2018-2019, for the
11 department of human services to establish the health analytics
12 program and carry out the purposes of the health analytics
13 program pursuant to this Act which includes the establishment,
14 hiring, and filling of four full-time equivalent (4.0 FTE)
15 positions exempt from the Civil Service Act, any other
16 administrative staff, and any operational expenses as may be
17 required. Notwithstanding section 76-16(b)(17), Hawaii Revised
18 States, the civil service exemption for these positions shall
19 not expire in 3 years. The sum appropriated shall be expended
20 by the department of human services for the purposes of this
21 Act.

22 SECTION 4. There is appropriated from moneys in the
23 treasury received from federal funds the sum of \$563,920 or so

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1 much thereof as may be necessary for fiscal year 2018-2019, to
2 carry out the purposes of the health analytics program
3 established pursuant to this Act. The sum appropriated shall be
4 expended by the department of human services for the purposes of
5 this Act.

6 SECTION 5. 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 6. This Act shall take effect upon its approval.

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INTRODUCED BY: 

16

BY REQUEST

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Report Title:

Department of Human Services; Med-QUEST Division; State Health Planning and Development Agency; Health and Healthcare Information and Data; Health Analytics Program

Description:

Establishes the Health Analytics Program in the Med-QUEST Division of the Department of Human Services and authorizes the Department of Human Services to maintain an all-payers medical claims data base.

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

JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT RELATING TO HEALTH ANALYTICS.

PURPOSE: To establish the health analytics program in support of section 323D-18.5, Hawaii Revised Statutes (HRS), in the Med-QUEST Division of the Department of Human Services. Establishes new positions and provides operational funding to the Med-QUEST Division.

MEANS: Add a new part to chapter 346, HRS.

JUSTIFICATION: In support of section 323D-18.5, HRS, this bill will establish the health analytics program within the Med-QUEST Division of the Department of Human Services. It will establish four new positions exempt from the civil service provisions of chapter 76, and make appropriations.

This bill will allow the Med-QUEST Division health analytics program to serve as a designee of the state health planning and development agency as described in section 323D-18.5, HRS.

The general fund appropriation included in this measure has been made with consideration of the statutorily defined appropriation ceiling for the Executive Branch pursuant to section 37-92, Hawaii Revised Statutes. With general fund appropriations of \$7,665,740,429 for fiscal year 2018-2019 authorized for the Executive Branch by the regular and special sessions of 2017, the appropriation ceiling for the Executive Branch has already been exceeded by \$15,217,672 or 0.2 percent in fiscal year 2018-2019. Funding requested in this measure for the development and operation of the Health Analytics Program, to include appropriations to the all-payer claim data

warehouse and necessary positions will result in the appropriation ceiling for the Executive Branch to now be exceeded in fiscal year 2018-2019 by an additional \$768,480 or 0.01 percent. This current declaration takes into account general fund appropriations currently authorized for fiscal year 2018-2019 and this measure only, and does not include other general fund appropriations for fiscal year 2018-2019 that may be authorized for the Executive Branch in other legislation submitted to the Legislature during the regular session of 2018.

Impact on the public: Healthcare expenditures are rapidly growing in the State and have direct impact on the State's budget and economic growth. To address the impact of healthcare expenditures, the legislature amended section 323D-18.5, HRS, through Act 139, Session Laws of Hawaii 2016, to allow greater transparency for cost of care, prevalence of health conditions in the state by creating the all-payer claims data (APCD) warehouse. Expanding health analytics and establishing the health analytics program within the Department of Human Services furthers the intent of section 323D-18.5, HRS. It also will lead to greater program efficacy for the Medicaid program. This will be accomplished through the analysis of the Medicaid population, Medicaid/Medicare dual eligible population as well as comparisons of Medicaid populations to other populations in the areas of utilization, population health conditions, and cost of services.

Impact on the department and other agencies: By improving the ability of the Department of Human Services Medicaid program to work directly with the Department of Health, State Health Planning and Development agency, Department of Commerce and Consumer Affairs, University of Hawaii and the Employee-Union Health Benefits Trust Fund

(EUTF), the APCD, which will include Medicaid data, will be used to better understand Medicaid programmatic efficacy, will promote data driven decision making, and will enable collaborative innovative solutions to healthcare delivery system problems that are driving unsustainable cost trends. Other states that have established an APCD or an equivalent, show potential return on investment for such analyses in the millions of dollars within the Medicaid program and for EUTF, and the potential of billions over ten years for the State in general.

The bill requests an appropriations of \$768,480 in general funds. The appropriation request includes \$129,000 required for administrative and salary expenses for the four permanent exempt full-time positions: health analytics and informatics program director, the senior healthcare analytics and research coordinator, the program and contracts financial coordinator, and the healthcare statistician. The highly specialized technical, analytic, statistical and programmatic skills needed for the type of work required, the limited applicant pool of individuals with these specialized skills, and the large demand in the private and public healthcare sector for such individuals necessitates the positions to be exempt from the civil service provisions of chapter 76, HRS. There is the potential of federal Medicaid match of \$137,600 for these positions.

The appropriation request includes \$639,480 in general funds required for operational expenses that may include information technology required to develop, implement and/or maintain a data center and to perform the required informatics and analytics. These services may be performed internal to DHS or contracted services. There is

potential federal Medicaid match of
\$426,320.

GENERAL FUND: \$768,480 (A funds)

OTHER FUNDS: Federal match of \$563,920 (N funds)

PPBS PROGRAM
DESIGNATION: HMS 902

OTHER AFFECTED
AGENCIES: Department of Health, State Health Planning
and Development Agency, Department of
Accounting and General Services, Office of
Enterprise and Technology Services,
University of Hawaii (Pacific Health
Information Data Center), Budget and
Finance, Department of Commerce and Consumer
Affairs - Insurance Division, Hawaii
Employer-Union Health Benefits Trust Fund
and all Hawaii Employer-Union Health
Benefits Trust Fund health service
providers.

EFFECTIVE DATE: Upon approval.