

JAN 22 2021

A BILL FOR AN ACT

RELATING TO HEALTH CARE INSURANCE.

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

1 PART I

2 SECTION 1. The legislature finds that it is in the best
3 interest of the State of Hawaii for each and every state citizen
4 to have publicly provided, high quality, affordable health care.
5 Health care is more than just medical insurance payouts - it
6 includes cost-saving, preventive, and early intervention
7 measures to prohibit medical conditions from becoming chronic,
8 permanently disabling, or fatal.

9 The legislature further finds that Hawaii's current health
10 care insurance system is a disjointed, costly, inefficient, and
11 unnecessarily complicated, multi-payer, private medical
12 insurance model.

13 Additionally, health care rates are skyrocketing, creating
14 an affordability and accessibility crisis for Hawaii's
15 residents. The two largest cost-drivers of health care in the
16 United States and Hawaii are:

17 (1) Excessive administrative costs; and



1 (2) The high cost of prescription drugs.

2 The legislature further finds that, for more than a quarter
3 of a century, Hawaii was far ahead of most other states and
4 often called itself "the health state" because of the 1974
5 Hawaii Prepaid Health Care Act. Hawaii was once known for
6 having a low uninsured population of between two and five per
7 cent in 1994.

8 However, the crisis in health care in the United States has
9 also befallen Hawaii. Today, thousands of Hawaii citizens lack
10 health care coverage, many of whom are children. Many other
11 Hawaii residents are underinsured, unable to use their insurance
12 properly, or even at all, because of increasingly expensive
13 deductibles and out-of-pocket co-payments for outpatient visits,
14 diagnostic tests, and prescription drugs, among other factors
15 under the Patient Protection and Affordable Care Act plans
16 purchased on the individual market and medicare plans. Even
17 well-insured individuals experience problems with their insurers
18 denying, or very reluctantly dispensing, expensive medicines and
19 treatments. About half of all bankruptcies are due to extremely
20 expensive, catastrophic illnesses that are not covered after a



1 certain cap is reached. Other persons are near bankruptcy with
2 their quality of life seriously impacted.

3 The legislature further finds that a universal, publicly
4 administered, health care-for-all insurance model with one
5 payout agency for caregivers and providers, adapted to meet the
6 unique conditions in Hawaii, would be beneficial for the
7 following reasons:

8 (1) For union members and their employers, it means taking
9 health care off the negotiating table;

10 (2) For patients, as taxpayers and insurance premium-
11 payers, it means significant reductions in overall
12 costs, increases in benefits, and the slowing of
13 annual inflation cost increases. It also means a
14 comeback from increasingly uncaring, profit-driven
15 health care to the restoration of human need-driven,
16 mutually respectful and caring patient-doctor-nurse-
17 and other caregiver relationships, which, in earlier
18 times, were fundamental to meaningful health care;

19 (3) For businesses, large and small, it reduces
20 significant overhead expenses;



1 (4) For the local economy, it means keeping almost all
2 health care dollars in the State;

3 (5) For government, it means having one integrated,
4 electronic, health information database for
5 unprecedented planning and cost-containment
6 capabilities. It also means relief from the perceived
7 emerging problem of unfunded liabilities associated
8 with long-term funding of government retiree health
9 care benefits; and

10 (6) For physicians, nurses, and other caregivers, it means
11 less paperwork, less work stress, and more time with
12 patients.

13 The legislature further finds that, since 2009, the Hawaii
14 health authority has been working with minimal support from
15 other government agencies to pave the way for adoption of a
16 universal, publicly administered, health care-for-all insurance
17 model with a single payout agency for caregivers and providers,
18 adapted for Hawaii, and that the Hawaii health authority is in
19 great and urgent need of additional support at this time.

20 The legislature further commends the Hawaii health
21 authority for the authority's research on:



- 1 (1) The causes, consequences, and means to mitigate burn-
- 2 out by physicians and other providers of medical
- 3 services in the State of Hawaii;
- 4 (2) The need to respond to and revise certain compensation
- 5 practices adopted by health insurers in the State of
- 6 Hawaii; and
- 7 (3) Revisions to other current financial practices
- 8 relating to healthcare to prepare for adoption of a
- 9 universal, publicly administered, health care-for-all
- 10 insurance model with a single payout agency for
- 11 Hawaii.

12 SECTION 2. The Hawaii health authority is hereby

13 authorized to continue planning for the adoption of a universal,

14 publicly-administered, health-care-for-all insurance model with

15 a single payout agency for Hawaii and to report to the governor,

16 the legislature, and to the general public at intervals as it

17 finds necessary and appropriate.

18 SECTION 3. There is appropriated out of the general

19 revenues of the State of Hawaii the sum of \$350,000 or so much

20 thereof as may be necessary for fiscal year 2021-2022 and the

21 same sum or so much thereof as may be necessary for fiscal year



1 2022-2023 for general administration of the Hawaii health
2 authority under this part, including the hiring of an executive
3 director and other staff of the Hawaii health authority, exempt
4 from civil service, as it may deem necessary for the fulfillment
5 of executive functions.

6 The sums appropriated shall be expended by the Hawaii
7 health authority for the purposes of this part.

8 PART II

9 SECTION 4. The legislature finds that, according to the
10 National Conference of State Legislatures, in 2010, forty-six
11 states self-insured or self-funded at least one of their
12 employee health care plans, and at least twenty-nine states
13 self-funded all of their employee health care offerings.

14 The legislature also finds that self-insured or self-funded
15 plans have a number of potential advantages over fully insured
16 plans. The legislature further finds that many states
17 administering self-insured or self-funded employee health care
18 plans have been able to lower costs, while still maintaining a
19 high level of health benefits.

20 Hawaii's employer-union health benefits trust fund is
21 currently fully insured, rather than self-insured. However,



1 health care premiums have risen rapidly over the last decade.
2 Therefore, the legislature believes that it is both prudent and
3 essential that the State examine whether converting the
4 employer-union health benefits trust fund to a self-insured
5 model will result in cost savings.

6 The purpose of this part is to authorize and direct the
7 Hawaii health authority to contract for the provision of
8 healthcare benefits to state and county employees using a self-
9 insured model.

10 SECTION 5. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2021-2022 and
13 the same sum or so much thereof as may be necessary for fiscal
14 year 2022-2023 for the purposes of this part.

15 The sums appropriated shall be expended by the Hawaii
16 health authority for the purposes of this part.

17 PART III

18 SECTION 6. The legislature finds that, as of July 2, 2015,
19 the unfunded portion of the actuarial accrued liability of the
20 Hawaii employer-union health benefits trust fund was



1 \$11,772,008,000. This is \$969,745,000 more than the total
2 revenues for the State for fiscal year 2015.

3 To address this unfunded liability, Act 268, Session Laws
4 of Hawaii 2013, requires the State and counties to prefund other
5 post-employment health and other benefit plan costs for retirees
6 and their beneficiaries by making annual contributions to the
7 other post-employment benefits trust fund. State, county, and
8 other public employers' annual contributions to the other post-
9 employment benefits trust fund totals \$427,299,249, while all
10 assets of the trust fund total \$2,370,481,565, for fiscal year
11 2018.

12 Meanwhile, the State, counties, and other public employers
13 are also required to make payments to cover a portion of pay-as-
14 you-go Hawaii employer-union health benefits trust fund costs.
15 Clearly, given current and projected revenues, the State and the
16 counties cannot afford to prefund both health and pension
17 unfunded liabilities, which are projected to total more than
18 \$800,000,000 per year in later years. A more affordable and
19 less painful solution is necessary.

20 Furthermore, the Hawaii employer-union health benefits
21 trust fund projects a seven per cent investment return on funds



1 in the other post-employment benefits trust fund, which amounts
2 to an estimated \$140,000,000 that will be deposited into the
3 rate stabilization reserve fund each year. By not requiring
4 other post-employment benefits prefunding through 2049, this
5 part will free up moneys for important state, county, and other
6 public employee services, projects, and needs.

7 Accordingly, the purpose of this part is to:

- 8 (1) Cap public employer prefunding to the other post-
9 employment benefits trust fund once the separate
10 accounts for each public employer have a combined
11 subaccount balance of at least \$2,000,000,000;
- 12 (2) Thereafter, transfer any investment income and
13 interest from the other post-employment benefits trust
14 fund to a newly established rate stabilization reserve
15 fund, which will provide reserve funding to stabilize
16 the Hawaii employer-union health benefits trust fund
17 at times when that trust fund has insufficient moneys
18 to cover the costs of providing health and other
19 benefits plans for active employees and retirees and
20 their beneficiaries; and



1 (3) Provide for the use of a portion of the transient
 2 accommodations tax revenues to supplement deficient
 3 county public employer contribution amounts, if
 4 necessary.

5 SECTION 7. Chapter 87A, Hawaii Revised Statutes, is
 6 amended by adding a new section to be appropriately designated
 7 and to read as follows:

8 "§87A- Rate stabilization reserve fund; establishment;
 9 purpose. (a) There is established a rate stabilization reserve
 10 fund to be placed within the employer-union health benefits
 11 trust fund for administrative purposes.

12 (b) The rate stabilization reserve fund may cover the
 13 increasing costs of providing health and other benefit plans for
 14 active employees and retirees and their beneficiaries, as
 15 required by this chapter. A separate account for each public
 16 employer shall be established and maintained to accept and
 17 account for each public employer's contributions. Unless
 18 otherwise specified by law, the rate stabilization reserve fund
 19 shall not be subject to appropriation for any purpose and shall
 20 not be subject to claims by creditors of employers or the board.

21 (c) The rate stabilization reserve fund shall consist of:



- 1 (1) Moneys transferred from the Hawaii employer-union
- 2 health benefits trust fund established by section
- 3 87A-30 and the other post-employment benefits trust
- 4 fund established by section 87A-42;
- 5 (2) Interest from the separate trust fund established to
- 6 prefund other post-employment health and other
- 7 benefits plan costs for members and their
- 8 beneficiaries pursuant to section 87A-42 and interest
- 9 from the rate stabilization reserve fund; and
- 10 (3) Appropriations from the legislature.
- 11 (d) The rate stabilization reserve fund shall meet the
- 12 requirements of the Governmental Accounting Standards Board
- 13 regarding employment benefits trusts."

14 SECTION 8. Section 87A-42, Hawaii Revised Statutes, is
15 amended as follows:

- 16 1. By amending subsection (a) to read:
- 17 "(a) Notwithstanding sections 87A-31 and 87A-31.5, the
- 18 board, upon terms and conditions set by the board, shall
- 19 establish and administer a separate trust fund for the purpose
- 20 of receiving employer contributions that will prefund other
- 21 post-employment health and other benefit plan costs for retirees

1 and their beneficiaries. The separate trust fund shall meet the
2 requirements of the Governmental Accounting Standards Board
3 regarding other post-employment benefits trusts. The board
4 shall establish and maintain a separate account for each public
5 employer within the separate trust fund to accept and account
6 for each public employer's contributions. Employer
7 contributions to the separate trust fund shall be irrevocable,
8 all assets of the fund shall be dedicated exclusively to
9 providing health and other benefits to retirees and their
10 beneficiaries, and assets of the fund shall not be subject to
11 appropriation for any other purpose and shall not be subject to
12 claims by creditors of the employers or the board or plan
13 administrator. The board's powers under section 87A-24 shall
14 also apply to the fund established pursuant to this section.
15 Notwithstanding any law to the contrary, once the separate
16 accounts for each public employer within the separate trust fund
17 have a combined balance of at least \$2,000,000,000, any earnings
18 from the \$2,000,000,000 remaining in the separate trust fund at
19 the end of each fiscal year shall be transferred to the separate
20 public employer accounts within the rate stabilization reserve
21 fund established in section 87A- . Unless otherwise specified



1 by law, the \$2,000,000,000 and the separate trust fund shall not
 2 be subject to appropriation for any purpose and shall not be
 3 subject to claims by creditors of employers or the board."

4 2. By amending subsection (d) to read:

5 "(d) In any fiscal year subsequent to the 2017-2018 fiscal
 6 year in which a county public employer's contributions into the
 7 fund are less than the amount of the annual required
 8 contribution, the amount that represents the excess of the
 9 annual required contribution over the county public employer's
 10 contributions shall be deposited into the applicable fund
 11 pursuant to this section from a portion of all transient
 12 accommodations tax revenues collected by the department of
 13 taxation under section 237D-6.5(b)(4). The director of finance
 14 shall deduct the amount necessary to meet the county public
 15 employer's annual required contribution from the revenues
 16 derived under section 237D-6.5(b)(4) and transfer the amount to
 17 the board for deposit into the appropriate account of the
 18 separate trust fund."

19 3. By amending subsection (f) to read:

20 "(f) For the purposes of this section, "annual required
 21 contribution" means a public employer's required contribution to



1 the trust fund established in this section [~~that is sufficient~~
2 ~~to cover:~~

3 ~~(1) The normal cost, which is the cost of other post-~~
4 ~~employment benefits attributable to the current year~~
5 ~~of service; and~~

6 ~~(2) An amortization payment, which is a catch up payment~~
7 ~~for past service costs to fund the unfunded actuarial~~
8 ~~accrued liability over the next thirty years]."~~

9 PART IV

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

16 SECTION 10. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.



S.B. NO. 437

1 SECTION 11. This Act shall take effect on July 1, 2021.

2

INTRODUCED BY: 
By Request



S.B. NO. 437

Report Title:

Hawaii State Association of Counties Package; Hawaii Health Authority; EUTF; Unfunded Liability; Appropriations

Description:

Authorizes the Hawaii Health Authority to continue planning for the adoption of a universal, publicly-administered health-care-for-all insurance model with a single payout agency. Establishes a rate stabilization reserve fund for the Hawaii Employer-Union Health Benefits Trust Fund. Transfers funds from the other post-employment benefits trust fund to the rate stabilization reserve fund. Makes appropriations.

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

