



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 27, 2018

GOV. MSG. NO. 1156

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 27, 2018, the following bill was signed into law:

HB694 HD2 SD1 CD1

RELATING TO HEALTH
ACT 055

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

Approved by the Governor
on JUN 27 2018
HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE, 2017
STATE OF HAWAII

ORIGINAL

ACT 055
H.B. NO.

694
H.D. 2
S.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO HEALTH.

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 the United States expended
4 \$3,200,000,000,000 on healthcare annually, or \$9,990 per person,
5 which represents 17.8 per cent of the nation's Gross Domestic
6 Product. The Centers for Medicare and Medicaid Services further
7 projected that national health spending would continue to grow
8 at an average rate of 5.6 per cent per year for 2016-2025. The
9 rising costs of healthcare premiums have far outpaced inflation
10 and wages. Family health insurance premiums grew one hundred
11 thirty-one per cent from 1999 to 2009 but workers' earnings
12 increased only 38.1 per cent over that same time period,
13 according to the Economic Policy Institute.

14 The Kaiser Family Foundation reported that the total health
15 spending in the State was approximately \$10,338,000,000 in 2014.
16 According to the Hawaii department of commerce and consumer
17 affairs' insurance division, total health premiums have
18 increased from \$1,262,118,865 in 1995 to \$6,343,949,857 in 2015,



1 an average increase of twenty per cent each year. Healthcare
2 premiums in Hawaii constitute an increasing percentage of wages,
3 growing from 2.8 per cent in 1974 with the passage of the
4 Prepaid Health Care Act to 14.7 per cent in 2015. Small group
5 healthcare premiums increased an average of six per cent each
6 year from 2010 to 2015, and increased by 7.5 per cent on average
7 from 2013 through 2015.

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

15 In Hawaii, medicaid makes up sixteen per cent of total
16 state expenditures, which represents eleven per cent of the
17 State's general funds. General fund expenditures for the State
18 increased by 7.3 and 8.8 per cent in fiscal years 2015-2016 and
19 2016-2017, respectively. Medicaid state fund expenditures
20 increased by 6.3 per cent and 12.3 per cent during this same



1 period. While the increase is largely due to higher enrollment,
2 rising healthcare costs are also part of the general trend.

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



1 well as medicaid and medicare recipients, and that analysis of
2 claims data will serve other public purposes.

3 The state health planning and development agency reports
4 that the all-payer claims database is approaching full
5 operability and will begin receiving data from some insurers in
6 2018. Reports from and analysis of the all-payers claims data
7 will be used in program planning by the department of human
8 services Med-QUEST division, Hawaii employer-union health
9 benefits trust fund, department of health, department of
10 commerce and consumer affairs' insurance division, and
11 department of budget and finance. Also, reports and analytics
12 will aid efforts to improve the State's healthcare delivery
13 system and the overall long-term health and well-being of the
14 State's workforce, retirees, and medicaid beneficiaries, with
15 the ultimate goal to reduce overall state-funded healthcare
16 costs.

17 Act 139 also tasked the pacific health informatics and data
18 center of the University of Hawaii to provide data stewardship
19 and conduct analysis to further transparency and understanding
20 of healthcare and to provide actionable information to
21 healthcare programs and consumers.



1 The department of health and the state health planning and
2 development agency are tasked with promoting accessibility to
3 quality healthcare services for residents of the State at a
4 reasonable cost. To implement and operationalize Act 139, the
5 department of health and the state health planning and
6 development agency have been working with the department of
7 human services, the Hawaii employer-union health benefits trust
8 fund, the department of commerce and consumer affairs' insurance
9 division, the department of budget and finance, the department
10 of accounting and general services' office of enterprise
11 technology services, and the University of Hawaii. Data and
12 health analytics have emerged as key aspects in the
13 comprehensive use of the data to be collected.

14 After careful consideration and to enhance and sustain
15 critical analytics of the State's medical claims data, these
16 entities reached consensus that a health analytics program be
17 established in the Med-QUEST division of the department of human
18 services. The Med-QUEST division already maintains or has
19 access to the required medical claims and administrative data of
20 the State's medicaid health insurance program that provides
21 coverage for one in four of Hawaii's residents.



1 As part of the overall continuous improvement of the
2 administration of the State's medicaid program, the Med-QUEST
3 division may be able to access federal matching funds to perform
4 the desired healthcare analytics. This would help sustain the
5 health analytics program. The health analytics program of the
6 Med-QUEST division will act as the state health planning and
7 development agency's designee and data center to receive
8 administrative data required to determine health benefits costs
9 from health insurance plans funded by the Hawaii employer-union
10 health benefits trust fund as contemplated by section 323D-18.5,
11 Hawaii Revised Statutes.

12 Continuing to work with the department of health, the
13 department of commerce and consumer affairs, the state health
14 planning and development agency, and the University of Hawaii,
15 the health analytics program will provide analytics to achieve
16 the goals of Act 139 of increased transparency, better health,
17 better healthcare, and lower costs for beneficiaries of state
18 funded health insurance plans, including the medicaid program.

19 The health analytics program and the all-payers claims data
20 warehouse are key for administering state-run health programs,
21 including medicaid. For example, improving and expanding health



1 informatics and analytics capabilities are critical for the
2 State and the Med-QUEST division to respond to the current
3 congressional and federal administration proposals to undermine
4 the Affordable Care Act health insurance coverage, including the
5 medicaid program. Also, the State is facing rapidly increasing
6 costs for healthcare in both the private and public sectors,
7 especially for medicaid and the Hawaii employer-union health
8 benefits trust fund, that may slow or stagnate economic growth
9 and take up an increasing share of limited state general funds
10 that may be invested in other sectors to promote overall
11 community health and well-being.

12 Finally, the all-payers claims data warehouse is a needed
13 tool for medicaid to administer the program. In addition to
14 essential basic functions of analyzing standardized comparative
15 quality indicators, cost trends, and cost drivers, several
16 federal medicaid mandates can only be met by utilizing a
17 functioning all-payers claims data warehouse. For example, new
18 federal rules regarding medicaid managed care and network
19 adequacy require examining community standards for accessing
20 care. This standard-setting activity is only possible for Med-
21 QUEST to accomplish via readily accessible datasets and



1 informatics capability provided by the all-payers claims data
2 warehouse. To do this work will require four permanent exempt
3 full-time positions: health analytics and informatics program
4 administrator, senior healthcare analytics and research
5 coordinator, program and contracts financial coordinator, and
6 healthcare statistician. The highly specialized technical,
7 analytic, statistical, and programmatic skills required, the
8 limited applicant pool of individuals with these specialized
9 skills, and the high demand in the private and public healthcare
10 sectors for these individuals make it necessary that the
11 positions be exempt from the civil service provisions of chapter
12 76, Hawaii Revised Statutes. There is the potential of federal
13 medicaid match of an appropriation of general funds for these
14 positions.

15 The purpose of this Act is to establish the health
16 analytics program in the Med-QUEST division of the department of
17 human services, including by:

18 (1) Establishing four positions exempt from chapter 76,
19 Hawaii Revised Statutes, to be known as the health
20 analytics and informatics program administrator, the
21 senior healthcare analytics and research coordinator,



1 the program and contracts financial coordinator, and
2 the healthcare statistician; and

3 (2) Appropriating funds to the department of human
4 services for the establishment and operational costs
5 of the health analytics program, including for two
6 full-time equivalent positions.

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

10 "PART . HEALTH ANALYTICS

11 §346- Health analytics program; appointments. (a)

12 There is established within the department of human services the
13 health analytics program.

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



1 shall be exempt from chapter 76. Notwithstanding section 76-
2 16(b)(17), this exemption shall not expire.

3 (c) The director may make further necessary position
4 appointments to the health analytics program to conduct data
5 analytics, informatics product development to support healthcare
6 services programs, and any other necessary services, including
7 administrative services, required to perform the duties of the
8 program. Three of these positions shall be a senior healthcare
9 analytics and research coordinator, a program and contracts
10 financial coordinator, and a healthcare statistician, who shall
11 all be exempt from chapter 76. Notwithstanding section 76-
12 16(b)(17), the exemptions for these positions shall not expire.

13 (d) The health analytics program shall develop, design, or
14 implement databases, primarily an all-claims, all-payer
15 database, and an encompassing data center to collect and analyze
16 healthcare data. The health analytics program may provide, in
17 consultation with the state health planning and development
18 agency, the department of health, the department of commerce and
19 consumer affairs, the Hawaii employer-union health benefits
20 trust fund, and the University of Hawaii, comparative cost and
21 quality information about Hawaii's healthcare systems and health



1 plan networks to consumers, providers, and purchasers of
2 healthcare in order to provide comparative information to
3 government policy makers and residents of the State.

4 (e) The health analytics program may procure services in
5 consultation with the department of health, and may perform
6 technical tasks including data management, data cleansing, data
7 quality, data analytics, and related activities that the program
8 finds necessary to produce reports. The program and all
9 associated technical vendors shall use the best available
10 privacy and security measures, as required by law, to protect
11 access to electronic protected health information, and shall
12 provide for further analysis of data that is in limited datasets
13 or de-identified formats, within the confines of the established
14 data governance framework as provided in rules adopted by the
15 department pursuant to chapter 91. All data sharing, use, and
16 research shall be done in accordance with all applicable laws,
17 including laws regarding privacy, confidentiality, and research.

18 (f) Subject to available funding, the health analytics
19 program is authorized to serve as the contracting and data
20 center designee of the state health planning and development
21 agency.



1 (g) The health analytics program may contract with the
2 pacific health informatics and data center of the University of
3 Hawaii, as a data analytics partner to the State. The
4 University of Hawaii may conduct core or additional analytics
5 functions and produce reports for the program and the state
6 health planning and development agency in this capacity.

7 (h) The health analytics program shall develop a plan for
8 the analysis, maintenance, and publication of data, in
9 consultation with the department of health, the Hawaii employer-
10 union health benefits trust fund, the office of enterprise
11 technology services, the insurance division of the department of
12 commerce and consumer affairs, and the University of Hawaii.
13 The plan shall be updated annually.

14 (i) The department of human services shall adopt
15 administrative rules pursuant to chapter 91 for the purposes of
16 this part."

17 SECTION 3. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$703,980 or so much
19 thereof as may be necessary for fiscal year 2018-2019, for the
20 department of human services to establish the health analytics
21 program and carry out the purposes of this Act, including the



1 establishment, hiring, and filling of 1.2 full-time equivalent
2 (1.2 FTE) positions exempt from chapter 76, Hawaii Revised
3 Statutes, any other administrative staff, and any operational
4 expenses as may be required.

5 The sum appropriated shall be expended by the department of
6 human services for the purposes of this Act.

7 SECTION 4. There is appropriated from moneys in the
8 treasury received from federal funds the sum of \$495,120 or so
9 much thereof as may be necessary for fiscal year 2018-2019, to
10 carry out the purposes of the health analytics program
11 established pursuant to this Act, including the establishment,
12 hiring, and filling of 0.8 full-time equivalent (0.8 FTE)
13 position exempt from chapter 76, Hawaii Revised Statutes.

14 The sum appropriated shall be expended by the department of
15 human services for the purposes of this Act.

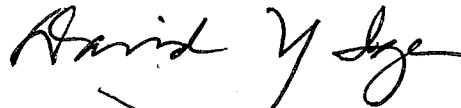
16 SECTION 5. If any provision of this Act, or the
17 application thereof to any person or circumstance, is held
18 invalid, the invalidity does not affect other provisions or
19 applications of the Act that can be given effect without the



1 invalid provision or application, and to this end the provisions
2 of this Act are severable.

3 SECTION 6. This Act shall take effect on July 1, 2018.

APPROVED this 27 day of JUN, 2018



GOVERNOR OF THE STATE OF HAWAII



HB No. 694, HD 2, SD 1, CD 1


THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2018
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2018.



Scott K. Saiki
Speaker
House of Representatives




Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAI'I

Date: May 1, 2018
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawai'i, Regular Session of 2018.


President of the Senate


Clerk of the Senate