

## Hawaii State Legislature Bill Status

**HB1598**

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**Measure Title:** RELATING TO HEALTHCARE.

**Report Title:** Healthcare; Universal

**Description:** Establishes agency to operate a single-payer universal healthcare insurance system.

**Package:** None

**Companion:**

**Introducer(s):** MIZUNO, BERTRAM, CARROLL, GREEN, WATERS, Brower, Magaoay, Manahan, Souki

**Current Referral:** HLT, CPC, FIN

Date		Status Text
1/23/2007	H	Pending introduction.
1/24/2007	H	Introduced and Pass First Reading.
1/26/2007	H	Referred to HLT, CPC, FIN, referral sheet 5

Click on the measure number for history of the measure.

\$ = Appropriation measure

ConAm = Constitutional Amendment

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HOUSE OF REPRESENTATIVES  
TWENTY-FOURTH LEGISLATURE, 2007  
STATE OF HAWAII

H.B. NO. 1598

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## A BILL FOR AN ACT

*RELATING TO HEALTHCARE.*

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

SECTION 1. The legislature finds that it is in the best interest of the State of Hawaii for each and every permanent resident to have high quality and affordable healthcare insurance coverage. Healthcare is more than just medical insurance payouts. It includes cost-saving and early intervention measures to prevent medical conditions from becoming chronic, permanently disabling, or fatal.

Hawaii's current healthcare insurance complex is a disjointed, costly, inefficient, and unnecessarily complicated multi-payer private medical insurance model that is mostly profit-driven, adversarial, beset with constant cost-shifting and reluctant healthcare delivery, onerously bureaucratic, and generally economically irrational. Additionally, healthcare rates are skyrocketing at or near double-digit annual rates and are creating an affordability and accessibility crisis for Hawaii's residents.

The three biggest cost-drivers of healthcare in the United States and Hawaii today are associated with the following:

- (1) A profit-driven complex of payment-reluctant multi-payer health insurance bureaucracies competing to insure only the healthy and the wealthy, while leaving those who need

healthcare the most, to the taxpayers;

- (2) The lack of a central electronic healthcare database; and
- (3) Inordinately high-cost prescription drugs.

For more than a quarter of a century, Hawaii was far ahead of most other states and often called itself "the health state" because of the 1974 Prepaid Healthcare Act (PHCA). In 1994 Hawaii had a low uninsured population of between two and five per cent. But, the crisis in healthcare on the United States continent began coming to Hawaii.

Today, more than one hundred thousand Hawaii residents are without any healthcare insurance coverage. More than twelve thousand of the uninsured are children. Many other Hawaii residents are underinsured, unable to use their insurance properly or even at all, because of increasingly expensive deductibles and out-of-pocket co-payments for outpatient visits, diagnostic tests, and prescription drugs, among other factors.

The annual high increase in premium costs translates into increased employer costs. Under PHCA, private-sector employers are required to pay health insurance premiums equal to the amount of the premium that exceeds the cap on employee contributions of one and half per cent of a full-time employee's pay. Public employers generally pay even more because of their exemption from PHCA and must negotiate with their employees for employer-provided family healthcare insurance.

PHCA does not require employers to provide health insurance coverage for employees working less than twenty hours per week. Increasing health insurance costs prompted some employers to hire individuals to work only part-time, or less than twenty hours per

week, to avoid having to pay for employee healthcare benefits under PHCA.

Even well-insured individuals are experiencing problems with their health maintenance organizations and insurance companies denying, or very reluctantly dispensing, expensive medicines and treatments. A 2005 national study by Harvard University found that about half of all bankruptcy filings are partly due medical expenses, and most people who file for bankruptcy protection because of medical problems have health insurance.

The legislature further finds that Canada has for many years had a tried, tested, and true universal publicly administered healthcare-for-all healthcare insurance model with one payout agency for caregivers and providers. A variation of this very successful system adapted to meet the unique conditions in Hawaii would be very beneficial for the following reasons:

- (1) For union members and their employers, it means taking healthcare off the negotiating table;
- (2) For patients, as taxpayers and insurance premium-payers, it means significant reductions in overall costs, increases in benefits, and the slowing of annual inflation cost increases. It also means a transition from increasingly uncaring profit-driven healthcare to the restoration of human-need driven mutually respectful and caring patient-doctor-nurse-and other caregiver relationships, which in earlier times were fundamental to meaningful healthcare;
- (3) For businesses, large and small, it reduces significant overhead expenses;
- (4) For the local economy, it means keeping almost all

healthcare dollars in the state;

- (5) For government, it means having one integrated electronic health information database for unprecedented planning and cost-containment capabilities. It also means relief from the perceived emerging problem of "unfunded liabilities" associated with long-term funding of government retiree lifetime healthcare benefits;
- (6) For physicians, nurses, and other caregivers, it means less paperwork, much less work stress, and much more time with patients;
- (7) For hospitals, community health clinics, home-care providers, and long-term care facilities, it means sufficient and dependable annual financing through global budgets; and
- (8) For the general public, it means accessible and affordable healthcare for every person, and relief from the increasing stresses of constant worry over the instability of healthcare coverage.

The legislature declares that single-payer, uniformly-delivered high-quality healthcare-for-all is a basic human right for Hawaii's citizens.

The purpose of this Act is to create a unified, single-payer, universal healthcare system covering all Hawaii residents, similar to that of Canada's.

SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

**"CHAPTER**

**SINGLE-PAYER UNIVERSAL HEALTHCARE SYSTEM**

§ -1 **Definitions.** Unless otherwise clear from the context, as used in this chapter:

"Authority" means the authority.

"Central unified electronic health information system database," means a primary, computerized electronic health information system to store and access medical records for the state-wide single-payer universal healthcare insurance system.

"County healthcare review boards" means the county bodies tasked with continuously monitoring healthcare conditions, to assist the authority to maximize the efficiency and cost-effectiveness of a single-payer universal healthcare system.

"Global budget" means the annual or monthly lump sum that the authority pays each hospital, community health clinic, home-care agency and long-term care facility to cover all operating expenses.

"Healthcare registration cards" means a personalized medical identification card showing that a permanent resident is covered by the single-payer universal healthcare system.

"Medically necessary" means procedures, treatments, and other services that are needed and performed primarily by the physicians and other qualified healthcare practitioners according to medical best practices and which are recognized as such by the authority.

"Pay-as-we-go" means monthly healthcare funding and insurance claims paid-out immediately for those needing "medically necessary" healthcare.

"Prepaid" means Hawaii's state-funded single-payer healthcare for all insurance system providing medically-necessary healthcare services without fees, co-payments, or deductibles at the time healthcare is needed.

"State healthcare insurance planning and financing authority" means the administrator of the universal single-payer healthcare insurance system for the state of Hawaii.

"Single-payer universal healthcare insurance system" means covering all permanent residents of the State of Hawaii.

"Universal" means healthcare for all of Hawaii's permanent residents.

"Universal healthcare provision fund" means the fund used by the authority to collect funds and pay out claims, and to administer an emergencies and demographic changes contingencies reserve fund; and a retraining fund for health field employees affected by the transition to the single-payer universal healthcare insurance system.

§ -2 **Single-payer universal healthcare insurance system; established.** (a) There is established the single-payer universal healthcare insurance system to provide the same uniformly high-quality level of "medically necessary" healthcare to all Hawaii's permanent residents. Private healthcare insurers are prohibited from duplicating the coverages provided by the single-payer universal healthcare insurance system.

§ -3 **Twenty functional concepts; established.** Hawaii state-funded single-payer universal healthcare insurance system is based upon twenty functional concepts as follows:

- (1) "Universal" the State of Hawaii single-payer universal healthcare insurance system finances "healthcare-for-all" which means quality healthcare is "universally available" on a "prepaid" basis to permanent residents;
- (2) "Prepaid" - Hawaii's state-funded single-payer healthcare-for-all insurance system that provides medically-necessary

healthcare services without fees, co-payments, or deductibles at the time of healthcare need. The system operates on a "pay-as-we-go" basis. Income and other taxes are collected by the system on an ongoing basis through payroll deduction and/or at retail checkout counters, or through other appropriate revenue raising methods, including existing funding from federal and state; including but not limited to medicare/medicaid, and prepaid healthcare act funds, employee union trust fund funds, until full transition is completed, as the funds for pre-paying for healthcare services when they are needed. Persons with healthcare needs may present their healthcare registration cards to receive medically necessary healthcare services without ever seeing a bill for them. This represents great savings over previous billing processes;

- (3) "Comprehensive" - the State of Hawaii single-payer universal healthcare insurance system is "comprehensive" in that it covers all medically necessary hospital, physician, dentist, home-care, and long-term care services for every Hawaii permanent resident;
- (4) "Medically necessary" - medically necessary procedures, treatments, and other services that are primarily the responsibility of physicians and other qualified healthcare practitioners according to well-established best practices which are recognized by the authority. In addition, the county healthcare review boards shall assess which prescription drugs, appliances, services, and delivery modes are:



(A) Medically necessary; or

(B) Effective; or

(C) Both,

and accordingly make their recommendations to the authority;

- (5) "Accessible" - there is accessibility to one high-quality level of healthcare-for-all without income or other barriers;
- (6) "High-quality" - uniformly high quality of systemwide healthcare provision is the standard of the single-payer universal healthcare system;
- (7) "Choice" - patients have their choice of physician, dentist, and other single-payer universal healthcare system caregivers;
- (8) "Portable" - single-payer universal healthcare system coverage is portable for permanent residents within and outside the State of Hawaii.

Portability applies primarily between islands and counties. Also, portability within the state means that when employees change employers there is no problem with having to change healthcare plans. This Act also entitles Hawaii permanent residents to "receive medically necessary services in relation to an emergency when absence from the State is temporary, such as on business or vacation";

- (9) "Publicly administered" - the State of Hawaii single-payer universal healthcare insurance system shall be maintained and administered by an elected authority.
- (10) "Publicly funded" - healthcare insurance premiums are

directly and indirectly collected through:

- (A) Taxes; or
- (B) Other authority revenue-raising measures; or
- (C) Both; and

deposited immediately into the State's universal healthcare provision fund. It is used by the authority to collect and pay out healthcare insurance claims and global budget funds to institutional providers on a pay-as-we-go basis or allocated as needed into the universal healthcare provision fund healthcare pay-outs reserve or both. There shall be a fiscal firewall between the universal healthcare provision fund and the state budget;

- (11) "Single-payer" - financing of Hawaii's healthcare-for-all system shall be publicly funded and healthcare insurance claims shall be paid out to doctors, dentists, hospitals, and other eligible caregivers and providers by the single pay-out government agency, or the authority, on a "pay-as-we-go" basis;
- (12) "Pay-as-we-go" - healthcare funding is raised each ongoing month and insurance claims are paid-out as soon as practicable, for those needing medically necessary healthcare;
- (13) "Universal healthcare provision fund" - the universal healthcare provision fund is fundamental to the single-payer universal healthcare system and is used by the authority to collect and pay out healthcare insurance claims and global budget funds to institutional providers on a pay-as-we-go basis or to be allocated as needed into

the universal healthcare provision fund healthcare pay-outs reserve. Part of the purpose of the reserve fund is to provide retraining grants. The other part is for healthcare related contingencies to build capital improvement support funding;

(14) "Fiscal firewall" - medically necessary is the operative term throughout Hawaii's single-payer universal healthcare system; but, nowhere more so than in regard to the funding of the system. The autonomous authority oversees and maintains the universal healthcare provision fund, which is completely independent of the state budget;

(15) "Central unified electronic health information system database" The State of Hawaii single-payer universal healthcare insurance system collects and maintains in real-time an up-to-the-minute single central database for comprehensive, complete, and accurate electronic healthcare information. This is a very significant major source of savings and cost-containment which makes the low-cost financing of comprehensive single-payer universal healthcare possible. This unified high-tech health information system, for instance, enables:

- (A) Accurate future projections;
- (B) Unprecedented planning and cost-containment capabilities;
- (C) Early detection of medical mistakes, malpractice and fraud; and
- (D) Early system-wide sharing of emerging "best practices";

- (16) "County healthcare review boards" - county healthcare review boards are elected, independent bodies established by each county government - along the lines of Oahu's elected neighborhood board system - to continuously monitor healthcare conditions in their respective counties to assist the authority in making the State of Hawaii's single-payer universal healthcare insurance system fit the specific healthcare needs of each island;
- (17) "Retraining fund" - a retraining fund is collected as part of the universal healthcare provision fund. The purpose is to provide cost-effective funding for health field workers displaced by the transition to the single-payer universal healthcare system;
- (18) "Global budgets" - the authority pays each hospital, community health clinic, home-care agency, and long-term care facility an annual or monthly global lump sum to cover all operating expenses - that is, a global budget. Hospitals, long-term care facilities, and home-care agencies, and the authority negotiate the amount of these payments annually, based on past expenditures, previous financial and clinical performance, projected changes in levels of services, wages and input costs, and proposed new and innovative programs. Hospitals, long-term care facilities, and home-care agencies may not bill for non-operating expenses. Hospitals, long-term care facilities, and home-care agencies may not use any of their operating budget for expansion, profit, excessive executives' incomes, marketing, or major capital purchases or leases.

Major capital expenditures come from the universal healthcare provision fund, but will be appropriated separately based upon community needs. Investor-owned hospitals will be converted to not-for-profit status, and their owners compensated for past investment. Global budgets for institutional providers eliminate billing, while providing a predictable and stable financial support;

(19) "Lifetime individual identification number" - the authority systematically registers each and every Hawaii permanent resident with an assigned lifetime identification number so that they are covered by the system and issues to them a single-payer universal healthcare system healthcare user card. Also, this is the first step in bringing all of Hawaii's healthcare information into one secure, constantly updated, central unified electronic, computerized health information system database; and

(20) "Healthcare registration cards" - eligible healthcare users of the State of Hawaii single-payer universal healthcare insurance system shall register with the system and be issued a lifetime individual identification number and a healthcare registration card to be able to access system healthcare. Newborn citizens will be registered at birth, in most cases by the facility where the birth occurs.

§ -4 **State healthcare insurance planning and financing authority.** (a) There is established within the department of taxation, for administrative support purposes, the elected autonomous authority, to determine the costs of the system, and to gather the needed financing methods and transition mechanisms, including the

retraining of affected personnel.

(b) The State of Hawaii office of elections shall prepare and execute all the necessary procedures for the election of a authority members in the 2008 elections in accordance with this Act.

(c) Trustee-members of the authority shall be chosen through statewide election. The authority shall be composed of seven voting trustee-members, and meet the same age and state residency requirements as candidates for the state senate. There shall be one trustee-chairperson member elected with no county residency requirement. All trustee-members shall be elected by voters statewide for terms of six years each; except that the terms of the six non-chairperson trustee members in the first election shall be:

- (1) Two each for two, four, and six years, respectively, with each seat's initial term of two, four, or six years being determined by lottery conducted by the office of elections;
- (2) Three of the non-chairperson trustees shall be residents of the city and county of Honolulu; and
- (3) Three, one each, shall be a permanent resident of Hawaii county, Kauai county and Maui county, respectively.

(d) Effective Wednesday, November 5, 2008, the authority, as soon as possible upon taking office shall move to organize according to the provisions of this Act and in that process to assume the functions of the state health planning and development agency, which are hereby transferred to the authority, as well as the responsibilities associated with being the new State of Hawaii liaison with the centers for medicare and medicaid services and other federal healthcare agencies, and to assume prepaid health care act functions and the Hawaii employer union health benefits trust fund.

The latter two functions shall be maintained intact and stable until the full integration of each into the system can be completed by the authority.

(e) The authority in the spirit of and within the parameters of the twenty functional-concepts listed herein for Hawaii's single-payer universal healthcare system, shall:

- (1) Start-up and maintain a trust fund comprised of a pay-as-we-go transfer payments system and contingencies and restraining reserve fund;
- (2) Negotiate and receive all federal, state, and other appropriate healthcare revenue;
- (3) Assess temporary progressive income and general excise surtaxes for start-up and on-going maintenance of the system, based on the medically necessary requirements of healthcare for all Hawaii residents; and for emergency costs as necessary, for instance, during epidemic or other medical catastrophe;
- (4) Be the single-payer of universal healthcare financing (the one payout agency) for Hawaii;
- (5) Hire a chief executive officer who will be accountable to the authority trustees for the development and success of the single-payer universal healthcare system; and
- (6) Conduct a continuous and ongoing program of enrollment.

(f) The concurrence of a majority of all members shall be necessary to make any action of the authority valid.

(g) The salary of the executive director shall be \$            a year and the salaries of the authority chairperson shall be \$            a year, and the other member-directors shall be \$            a year."