

**Attachment A**

**“A BILL FOR AN ACT RELATING TO  
THE STATE HEALTH INSURANCE PROGRAM”**

**Fifteenth Legislature, 1989  
State of Hawaii**

---

---

# A BILL FOR AN ACT

RELATING TO THE STATE HEALTH INSURANCE PROGRAM.

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

1 SECTION 1. The **Hawaii** Revised Statutes is amended by adding  
2 a new chapter to be appropriately designated and to **read as**  
3 follows :

4 "CHAPTER

5 **STATE HEALTH INSURANCE PROGRAM ACT**

6 -1 Findings **and** purpose. (a) The legislature finds  
7 that despite the **fact that Hawaii has** the only statutorily  
8 mandated prepaid health care program in the country, **as well as a**  
9 broad-based medicaid **program which** provides an array of medical  
10 benefits to **Hawaii's lowest income level residents**, there remain  
11 in the State uninsured 'gap group individuals". Available  
12 statistics consistently reveal **that an** estimated five per cent of  
13 the civilian population of this State, or 50,000 individuals,  
14 **Lack any** form of medical insurance whatsoever and are therefore  
15 limited in **access** to medical care.

16 (b) These 'gap group individuals" are **characterized by one**  
17 or more of the following conditions or **factors** contributing to  
18 lack of insurance or 'medical indigency":

19 (1) They have too much income or too many assets to qualify

1 for medicaid, but too little to afford private  
2 insurance;

3 (2) They do not **qualify** for prepaid health care insurance  
4 coverage through employment;

5 (3) They *choose not to obtain* health insurance: o=

6 (4) They are dependents! primarily children of insureds who  
7 are not covered by their parent%, guardian's, **or**  
8 spouse's policies.

9 (c) The legislature further finds that it is **a** matter of  
10 compelling public interest to provide for the health **and well-**  
11 being of all the people of this State. This is also consistent  
12 with the health provisions of the Hawaii State Planning Act **as**  
13 set forth in section 226-20 (a) (1) which establish as an  
14 objective the 'fulfillment of **basic** individual health needs of  
15 the general public." This objective is construed to include  
16 access to basic *health insurance* coverage. To responsibly carry  
17 out this objective, it is therefore appropriate that the  
18 legislature use innovative means to ensure that **all** residents,  
19 regardless **of age,** income, employment status, or any other  
20 of actor, have access to health insurance coverage which will  
21 provide basic **medical** services necessary to sustain **a** healthy  
22 life.

23 (d) The purpose of this chapter is to **establish** a program

1 within the department Of health, funded through legislative  
2 appropriations, to ensure basic health insurance coverage is  
3 **available** for Hawaii residents who are medically uninsured and  
4 who are defined in section -2 as "gap group individuals".

5 **s -2 Definitions. As used in this chapter unless**  
6 otherwise indicated by the context:

7 "Gap group individuals" means medically uninsured persons  
8 **who are** residents of the State.

9 "Health care coverage" **means** contractually **arranged** medical,  
10 personal, or other services, including preventive services,  
11 education, case management, and outreach provided to an eligible  
12 member.

13 **"Health** care contractor" means **any** medical group or  
14 Organization **which** undertakes, under a prepaid health care  
15 **program,** to provide health care, **or any** nonprofit organization or  
16 insurer who undertakes, *under a prepaid health care program, to*  
17 defray Or reimburse in whole or part, the expenses of health  
18 care.

19 **"Medical indigence"** means the status of a person who is  
20 **uninsured or lacks** medical insurance.

21 **-3 State health insurance program established.** There  
22 is established within the department of **health the state health**  
23 **insurance** program whose goals shall be to:

- 1 (1) Subsidize health care coverage for gap group  
2 individuals, including but not necessarily limited to  
3 out patient primary and preventive care;
- 4 (2) Encourage the uninsured who can afford ,to participate  
5 in existing health plans to seek that coverage;
- 6 (3) Discourage individuals who are already adequately  
7 insured from seeking benefits under the state health  
8 insurance program;
- 9 (4) Assure that those persons **who have** the ability to pay  
10 **for all** or part of their coverage be appropriately  
11 **assessed by the** contractors on a sliding fee **scale**  
12 **basis;** and
- 13 (5) Ensure that the state health insurance program is  
14 affordable to gap group individuals.

15 The program shall be funded by legislative appropriations made to  
16 the department of health.

17 -4 *Transfer of funds.* The department of health shall  
18 have the authority to utilize funds appropriated under this  
19 chapter to *directly* purchase services in accordance with  
20 chapter 42 when it is determined that such a purchase is more  
21 effective and cost efficient in meeting the goals of this  
22 chapter. The department of health shall also have the authority  
23 to transfer **funds** appropriated under this chapter to the

1 department of human services. The department of human services  
2 may receive and apply such funds for the purpose of maximizing  
3 medical care services to gap group individuals under the medicaid  
4 program contained in the medicaid state plan. The departments of  
5 health and human services shall develop and implement **an inter-**  
**agency** working agreement necessary to carry out the purpose of  
7 this section.

8 -5 rulemaking authority. The director of health shall  
9 adopt rules in accordance with chapter 91 which are **necessary to**  
**10 carry** out this chapter. The rules shall include, but need not be  
11 limited to:

- 12 (1) Establishment of guidelines for the purchase of health  
13 **care coverage** from health care contractors by the  
14 department=;
- 15 (2) Establishment of specific health care services to be  
16 covered, limited, and excluded by the program,  
17 including preventive services, outreach, and education  
18 strategies designed to reach gap group individuals;
- 19 (3) Establishment of eligibility requirements for  
20 participation in the program;
- 21 (4) **Development and implementation of an identification and**  
22 **notification process for eligible program participants;**
- 23 (5) **Establishment of a payment schedule based on the**

1 person' s ability to pay;

2 (6) Establishment **of** program participation criteria for  
3 health care contractors;

4 (7) Establishment of monitoring and evaluative guidelines  
5 for the program;

6 (8) Establishment of appeal procedures for denial of  
7 **eligibility** disqualification from program  
8 participation, *assessment of civil* penalties, or other  
9 negative action; and

10 (9) Establishment of procedures to exclude or remove from  
11 the program persons who drop individual or group  
12 **coverage** to obtain insurance.

13 **s** -6 Reporting, **continued** funding. The **department** of  
14 health shall report to the legislature on or about October 1,  
15 1989 on the progress made in implementation of this act,  
16 including:

17 (1) Establishment of an advisory committee to review: the  
18 scope of the work to be done by a consultant, the input  
19 from the committee and the community to the consultant,  
20 **and the schedule of work of** the advisory committee;

21 (2) **Final scope** of work for the consultant, selection of  
22 the consultant, and the consultant's workplan;

1           (3) **Involvement** of the **departments of** labor, human  
2           s<sub>e</sub>r<sub>v</sub>ices, and other **departments** needed to successfully  
3           develop the program;

4           (4) Required data collection efforts to successfully  
5           **develop the** program.

6           The department of health, in **collaboration** with the health  
7 **care** contractors, shall submit reports to the legislature and the  
8 governor no later than twenty days prior to the convening **of each**  
9 and every legislative session regarding program activities and  
10 **expenditures, needed resources~ participant demographics,**  
11 **evaluatiions, and such other information as may be necessary** to  
12 determine the usefulness of and continued need for the state  
13 health insurance **program.**

14           The purchase of insurance shall not proceed without the  
15 formal approval **of the** governor **and a** review by the **legislature**  
16 during the 1990 regular session. Implementation is **predicated**  
17 **upon the successful completion** of the **consultant's** reports and  
18 findings. The legislature, by concurrent resolution, may opt to  
19 withhold funding appropriated for implementation if not satisfied  
20 with the plan, **provided that such a concurrent resolution must be**  
21 **passed** within thirty days after **completion of the implementation**  
22 **plan or March 1, 1990** whichever occurs **last.**

1           -7 **ViolatiOn, penalty.** Any person who violates this  
2 chapter or any rule adopted by the department of health pursuant  
3 to this chapter may be permanently disqualified from  
4 **participation in the program,** required to reimburse any benefits  
5 **wrongfully** obtained, and **shall** be fined not more than \$500. Any  
6 **action** taken to impose Or **collect** the penalty provided for in  
7 **this** section may be considered a civil action.

8           **s -8 Severability.** If any provision of this chapter, or  
9 **the** application thereof to any person or circumstance is held  
10 **invalid,** the **invalidity shall** not affect other provisions or  
11 **applications** of this **chapter which can be** given effect without  
12 **the** invalid provision or **application, and to this end the**  
13 **provisions** of this chapter are severable."

14           SECTION 2. In accordance with Section 9 of **Article** VII of  
15 **the** Constitution of the State of **Hawaii** and sections 37-91 and  
16 37-93, **Hawaii** Revised Statutes, the legislature has determined  
17 **that** the appropriation contained in this Act will cause the state  
18 **general** fund expenditure ceiling for fiscal year 1989-1990 to be  
19 **exceeded** by \$4,000,000 or 0.17 Per **cent.** The reasons for  
20 **exceeding** the **general** fund expenditure ceiling **are** that the  
21 **appropriations** made in this Act **are necessary** to **serve** the **public**  
22 **interest and** to meet the need **provided for by this** Act.

23           SECTION 3. There is appropriated out of the **general**

1 revenues of the State of Hawaii the **sum** of \$4,000, 000, or **so much**  
2 thereof as may be **necessary** for fiscal **year** 1989-1990, for the  
3 purposes of this Act; **provided** that not more **than \$1,000,000** may  
4 be released in **fiscal** year 1989-1990 for planning, and **designing a**  
5 state health insurance program. There is appropriated out of the  
6 **general revenues** of the **State** of **Hawaii** the sum of \$10,000,000,  
7 or **so much** thereof as **may** be **necessary** for **fiscal** year 1990-1991,  
8 for the purposes of this Act.

9       **SECTION 4.** The **sum** appropriated **shall be** expended by the  
10 **department** of health for the purposes of this Act.

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

Approved by the **JUN 26 1989**  
Governor on