

# **Hawaii Essential Insurance**

*A plan to end the problem of the uninsured in Hawaii*

**Overview :** An inexpensive, preventive healthcare insurance option for the 112k Hawaii residents who remain uninsured in our current system.

## **The Plan:**

Available to anyone who is a Hawaii resident and at any given time is not covered by an employer under the Prepaid Health Act, private insurance or a Medicaid plan. Primarily targeted to the uninsured working poor and uninsured children.

Hawaii Essential enrollees will receive their care at any of the state's 13 federally qualified community health centers and at any of the state's 12 HHSC run hospitals. Other providers may choose to be participants with the plan. Specialty providers in Hawaii (many of whom already do participate with the Quest plans) will be encouraged to participate.

The plan will be put out to bid with the understanding that cost containment will be achieved by contracting with Hawaii's CHCs and Community hospitals. It is conceivable the state would prefer to run Hawaii Essential as the state already has a quasi-parent relationship with the CHCs and the HHSC facilities.

Prevailing Plan mandates are met because the CHCs and Community Hospitals offer all necessary services.

Hawaii Essential will be able to contract in advance for bulk tests, labs, and meds for the population who is covered by the plan, thus controlling costs.

Hawaii Essential will be legislatively mandated to increase it's cost to consumers at no more than 2% each year.

The Hawaii Essential plan will be monitored by a newly formed Hawaii Healthcare Authority (a possible recommendation of the Hawaii Healthcare Taskforce) which is tasked to offer annual updates to the legislature and Governor on its progress of covering the uninsured, containing healthcare costs in the state and the potential need to overhaul the system with a different solution if Hawaii Essential fails to solve the problem of the uninsured.

## **Who benefits**

1. the uninsured in Hawaii, no fear of bankruptcy or morbidity due to no insurance coverage
2. the state of Hawaii no longer absorbs 'charity care costs', estimated at 525mil over 5 years
3. the CHCs already bear the burden of the uninsured, now they will be paid for their work and can staff based on more reasonable expectations
4. the HHSC hospitals decrease their % of charity care and their need to go to the legislature annually for money in excess of 40mil/year
5. small businesses have a way to insure part time employees

Total expected Hawaii Residents who will qualify, 50-100k

Cost of Plan \$80/month, i.e. 1k/year

Who pays for the plan?

Currently the entire population, businesses and unions absorb the cost of the uninsured.

Under Hawaii Essential approximately 50% of the enrollees will pay for their own plans and 50% will receive it as part-time workers from their employers.

How can we afford Hawaii Essential?

Proper use of services must be mandated for its consumers. People need to be seen at primary care facilities instead of emergency rooms for their primary care. I estimate that the insured and uninsured annually spend between 200 million and 300 million dollars of resources in the Emergency room that could have been spent in healthcare dollars at CHCs and private offices. This is based on my experience as a primary care physician in a CHC for 3-plus years in rural Hawaii and as an Emergency Room doctor for 4 years in Hawaii. This data needs to be confirmed by our state's hospitals and state insurers, but I am confident that there are large savings to be realized here (and preventive care in general) that could alone pay for the Hawaii Essential Program if necessary.

An improved healthcare business model which includes a universal medical records plan for Hawaii is being pursued by the Hawaii Healthcare Taskforce. Implementation of these ideas is estimated to reduce cost by up to 23%, this based on several national studies.

**Up-front costs:**

Some modest injection of state funds into our 13 Community Health Centers and Community Hospitals will be necessary to ensure that they have enough staff to accommodate the newly qualified clientele

Estimated 10 million dollars each, in fiscal years 2006, 2007 and 2008. These funds will help the facilities build out more rooms, hire more providers and expand some services such as on-site dental, primary mental healthcare and low-cost pharmacy services.

Initial estimates by my team suggest that the state of Hawaii can realize savings in excess of 1 billion dollars by 2015 by covering its uninsured and limiting waste in the form of uncontrolled chronic disease, misuse of ER facilities, duplicative tests and unnecessary non-reimbursed hospitalizations. This figure does not include increased workplace productivity and avoidance of personal bankruptcy. These are very significant additional benefits with enormous positive economic impacts for Hawaii.

Finally, it is good public policy to care for people who otherwise will face crises in their lives. If implemented, Hawaii Essential will prevent thousands of such crises each year in Hawaii.

It is always less expensive in human and economic terms to prevent a crisis rather than to react to one.

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