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2003 Survey Finds Almost 30% of Employers Would Modify Employee Health Insurance Benefits if Allowed.

Hawaii's Prepaid Health Care Act Ensures Health Coverage for Some Workers

Hawaii's Prepaid Health Care Act of 1974 is the only act of its kind in U.S. history. Since Jan. 1, 1975, this law has required nearly all employers to provide health insurance to their employees who work 20 hours or more a week for four consecutive weeks. Employees must minimally maintain a 20-hour work week to remain eligible.

In a 2003 statewide telephone survey conducted by Ward Research for The Hawai'i Uninsured Project, almost 30 percent of employers claimed they would alter health insurance benefits if the law allowed it. The top 2 changes would be to require the employees to contribute more to the premium (no. 1) or to eliminate health insurance altogether (no. 2).

ERISA and the Prepaid Health Care Act. Hawaii's Prepaid Health Care Act passed the same year as the federal Employee Retirement Income Security Act (ERISA), which superceded all state laws related to employee benefits. When Standard Oil sought to invalidate employer-mandated health coverage in Hawaii, it sued and won. Hawaii's congressional delegation stepped in and secured an exemption from ERISA. However, this Congressional action stipulated that no major changes could be made to the Prepaid Health Care Act as it was passed in 1974.

Coverage Ensured by the Prepaid Health Care Act. The act also set the standard for benefits provided by employer-based health plans. Coverage benefits must be equal to those provide by the plan with the largest number of subscribers in Hawaii.

If an employee is disabled and unable to work, the employer must continue to pay its share (98.5 %) of the employee's health insurance premium cost for three months after the month when the employee became disabled. The employee also continues to pay his or her portion (1.5 %) of the premium.

Formula for Payment of Premium. Hawaii employers may cover the full cost of the health insurance premium, or share the cost with their employees. Based on a fixed formula, the law requires employers to contribute 50 percent of the premium cost for single coverage, and the employee must contribute the balance, as long as the employee's share does not exceed 1.5 percent of his or her wages.

A person who works 40 hours per week at a salary of \$10 per hour would earn \$1,733 per month. If the cost of insurance (single coverage) is \$150 per month, half that amount is \$75, and 1.5 percent of the worker's salary is \$26. As stipulated by the Act, the worker would pay the lesser of the two amounts (\$26) and the employer pays the rest (\$124).

Prepaid Health Care Act Exclusions. Mandatory health care coverage is not required for these employment categories:

- government services
- seasonal employment approved by the State Department of Labor & Industrial Relations
- insurance agents and real estate salespersons paid solely by commission
- sole proprietors with no employees

Administration & Regulation of the Act. The **Department of Labor & Industrial Relations, Disability Compensation Division**, administers the Prepaid Health Care Act. Under the advisement of the Prepaid Health Care Advisory Council, the department's director approves all employer-based health care plans and ensures that the plans meet certain standards. The **Department of Commerce & Consumer Affairs, Insurance Division** regulates health insurers, including health maintenance organizations and mutual benefit societies. The Insurance Division also receives inquiries and complaints on health insurance, and administers reviews of health plans' decisions under Hawaii's Patient Bill of Rights & Responsibilities Act.

Prepaid Health Care Act & Hawaii's Uninsured. When Hawaii blazed the trail in health coverage reform by establishing the Prepaid Health Care Act in 1974, the only employer mandate of its kind, the nation didn't follow. With an uninsured rate of 30 percent in the early 1970s, the percentage dropped to about 5 percent after the mandate became law. Hawaii once held the honor of having the fewest uninsured residents of any state, but now it has tumbled down the national ranks (ranked 8th) with more than 120,000 of its people not covered -- that's 10 percent of the state's population.

Nearly 30 years since the establishment of the mandate, the majority (78 %) of employers still believe that Hawaii's people should be concerned about those who lack health coverage, according to The Hawaii Uninsured Project's 2003 statewide survey. And despite the fact that 43 percent of employers felt that administering health insurance is a burden and task they would rather not deal with, the majority of employers would be willing to help with non-financial tasks to help their uninsured workers access coverage.

The Hawai'i Uninsured Project has assembled stakeholders to assess the impact of the Prepaid Health Care Act of 1974 on the state. While other work groups are generating potential solutions for target areas in which health coverage access can be improved or expanded, this committee serves as a forum to discuss and study the issues and to exchange viewpoints. The project serves as a neutral convener to ensure that discussions and debates of the Prepaid Health Care Act are accurately informed.

The Hawai'i Uninsured Project's mission is to ensure access to health coverage in Hawaii. The project is spearheading solutions through community collaboration and fact-based research. Support for the project is provided by grants from The Robert Wood Johnson Foundation, the U.S. Department of Health and Human Services - Health Resources and Services Administration and local funders such as Hawaii State Department of Health and HMSA Foundation.



The Hawai'i Uninsured Project is a program of the Hawai'i Institute for Public Affairs (HIPA), an independent, nonpartisan and nonprofit organization dedicated to elevating Hawaii's public decision-making process through sound public policy analysis, research and community collaboration.

For more information on the institute, visit www.HipaOnline.com or call (808)585-7931.