

# AIMING HIGHER FOR HEALTH SYSTEM PERFORMANCE

A Profile of Seven States That Perform Well on  
the Commonwealth Fund's 2009 State Scorecard: **Hawaii**



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## HAWAII: AN EARLY QUEST FOR COVERAGE

Hawaii has one of the healthiest populations in the nation, as measured by the Commonwealth Fund's *State Scorecard on Health System Performance, 2009* (Table 5). Compared with most states, fewer people in Hawaii smoke and are overweight or obese, and more people are engaged in regular physical activity, which is not a surprise given the state's natural beauty and diverse geography. However, Hawaii also has its share of health-related challenges. For example, Hawaii has the highest *incidence* of breast cancer of all 50 states, but it also has the lowest *death rates* for breast cancer. How is that possible? Hawaii's residents have excellent access to primary and preventive care, say the states health experts, and that reduces preventable mortality and enables early identification and management of chronic disease.

The 2009 *State Scorecard* backs up the claim that Hawaii outperforms most states in terms of access to care. For example, cost is less of a barrier to care in Hawaii than in any other state, and more adults have a regular source of care. Also, Hawaii has much higher rates of insurance coverage than other states, mainly because of a 1974 employer mandate to provide insurance for employees. Ironically, Hawaii is sometimes criticized because its employer-mandate does not achieve universal coverage and leaves some residents uninsured. But that mistakes the purpose of the mandate, say its authors, which is to guarantee access to health insurance for working families only. Otherwise, Hawaii is just like any other state that is working to bridge the gap between private insurance and the state's public programs.

### Coverage and Costs

*For three decades, Hawaii has outperformed most other states in access to health insurance for children and adults. (In 2007–08, 89.4 percent of nonelderly adults*

*and 94.9 percent of children had health insurance coverage in Hawaii, ranking the state second and fourth, respectively.) Hawaii has done both while maintaining the lowest-cost private insurance premiums in the nation and the lowest Medicare costs per beneficiary.*

The cost of living in Hawaii is 30 percent to 40 percent higher than on the mainland for just about everything *except* health insurance. Hawaii is nearly tied with North Dakota for the lowest employer-sponsored health insurance premiums of any state (\$3,831 for individuals in 2008), about 13 percent below the national average.<sup>15</sup> Medicare costs per beneficiary are 31 percent below the national average.

There are many possible explanations. For example, as mentioned above, Hawaii's population is generally healthier, and has good access to primary care, both of which are likely to translate into lower health insurance costs. Also, Kaiser Permanente, a high-performing integrated delivery system, has a significant presence in the state and has been a leader in using health information technology to improve the quality and efficiency of care.<sup>16</sup> Kaiser's Hawaii region experienced a 26 percent decrease in the rate of physician visits following implementation of electronic health records.<sup>17</sup>

### *The Prepaid Health Care Act of 1974*

For more than three decades (until Massachusetts in 2006), Hawaii was the only state in the nation with a law mandating that employers provide health insurance to their employees. The Prepaid Health Care Act of 1974 requires nearly all employers to provide health insurance to their employees who work 20 hours or more a week for four consecutive weeks. Employees must maintain the minimum of at least 20 hours a week to remain eligible. The employer may withhold 50 percent of the premium cost from employees, not to exceed 1.5 percent of their

monthly gross wages, and must pay the balance of the costs. Coverage for the prepaid health insurance plan must be equal to those provided by the plan with the largest number of subscribers in Hawaii. Some employers are exempted from the Act, including government services, approved seasonal employment, insurance agents and real estate salespersons paid solely by commission, and sole proprietors with no employees.

Hawaii's Prepaid Health Care Act passed the same year as the federal Employee Retirement Income Security Act of 1974 (ERISA), which superseded all state laws related to employee benefits. Under ERISA, states cannot require employers to offer health coverage or dictate the terms of health plan coverage—but this is exactly what Hawaii proposed to do in its Prepaid Health Care Act. The passage of ERISA set up a jurisdictional showdown between the State of Hawaii and the federal government that culminated when Standard Oil sued to invalidate Hawaii's employer mandate and won. Hawaii's congressional delegation stepped in and

secured an exemption from ERISA, but on the condition that no major changes be made to the Prepaid Health Care Act as it was passed in 1974. This history and the role of ERISA explains why for so long only Hawaii enacted an employer mandate, and why the recent mandate in Massachusetts was carefully and creatively constructed to avoid an ERISA challenge.

After the Prepaid Health Care Act became law, the uninsured rate in Hawaii dropped from 30 percent to 5 percent, but recently has risen to 10 percent. The legislative authors of the Act never claimed it would achieve universal coverage—it only guarantees access to health insurance for people who work 20 hours or more a week. For what it was intended to do, the Act has been a success, resulting in a much higher rate of employer-sponsored health insurance coverage in Hawaii (61.8 percent) compared with the nation overall (53.4 percent).<sup>18</sup> For other residents who do not work or work less than 20 hours a week, the state has relied on other strategies to provide coverage, primarily through Medicaid expansions.

**Table 5. State Scorecard on Health System Performance: Hawaii**

	Overall and Dimension Rankings		Number of 2009 Indicators in:		Number of Indicators That Improved by 5% or More
	Revised 2007 Scorecard	2009 Scorecard	Top Quartile of States	Top 5 States	
<b>OVERALL</b>	1	2	22	14	15
<b>Access</b>	1	6	3	3	0
<b>Prevention &amp; Treatment</b>	16	16	8	4	10
<b>Avoidable Hospital Use &amp; Costs of Care</b>	5	5	6	4	1
<b>Equity</b>	6	10	*	*	*
<b>Healthy Lives</b>	1	2	5	3	4

Note: Data were available to rank Hawaii on 36 of 38 *State Scorecard* indicators in 2009. Trend data were available for 33 indicators.

\* The equity dimension was ranked based on gaps between the most vulnerable group and the U.S. national average for selected indicators; thus, it is not included in indicator counts.

Source: The Commonwealth Fund, Oct. 2009.

## *Medicaid QUEST*

Hawaii's QUEST program provides comprehensive Medicaid coverage across the state to children and adults through capitated managed care plans. The program was originally approved in 1994 as a Medicaid section 1115 demonstration waiver to expand coverage to individuals not otherwise eligible for Medicaid. Since 1994, the QUEST program has expanded to provide full Medicaid benefits to pregnant women with incomes up to 185 percent of the federal poverty level, children with incomes up to 300 percent of poverty, and qualified adults with incomes at or below 100 percent of poverty. The state also provides a more limited benefit package to QUEST-eligible adults if their income goes above 100 percent of poverty, up to 300 percent of poverty (QUEST-Net), and to childless adults up to 100 percent of poverty (QUEST-Adult Coverage Expansion).

In February 2008, Hawaii received federal approval to amend its 1115 waiver and expand the QUEST program to also cover aged, blind, and disabled (ABD) Medicaid beneficiaries. The new program, called QUEST Expanded Access (QExA), will transition the ABD population from fee-for-service into a managed care delivery system for all covered services, including primary, acute, home- and community-based services, and long-term care. The state

recently awarded contracts to two managed care organizations to begin implementing the program (the waiver requires the program to be fully implemented within five years). The waiver allows the state to count savings from ABD managed care to meet the budget neutrality requirements of the waiver, which means the state will be able to use those savings to cover more people through QUEST programs with financial support from the federal government.

## **Conclusion**

In the decade before Hawaii enacted its employer mandate to provide health insurance for employees, there was much discussion at the national level on the provision of compulsory national health insurance. The concerns in the 1960s were much as they are now: legislators were faced with rising health care costs, limited access to health insurance and services for certain populations, and state and national economic concerns. Hawaii's legislature acknowledged this discussion, and included a clause in the Prepaid Health Care Act which would invalidate the Act if a form of national health insurance was developed and implemented. Today, 35 years later, the Prepaid Health Care Act remains in effect, and the national debate about how to expand coverage, improve quality, and control costs continues.

## NOTES

- <sup>15</sup> Commonwealth Fund *State Scorecard on Health System Performance*, 2009.
- <sup>16</sup> See D. McCarthy, K. Mueller, and J. Wrenn, *Kaiser Permanente: Bridging the Quality Divide with Integrated Practice, Group Accountability, and Health Information Technology* (New York: The Commonwealth Fund, June 2009).
- <sup>17</sup> C. Chen, T. Garrido, D. Chock et al., “The Kaiser Permanente Electronic Health Record: Transforming and Streamlining Modalities of Care,” *Health Affairs*, March/April 2009 28(2):323–33.
- <sup>18</sup> Kaiser Family Foundation, “Health Insurance Coverage of the Total Population, States 2006–2007, U.S. 2007,” accessed on <http://www.statehealthfacts.org> (Aug. 2009).

## SOURCES

### Hawaii

Hawai'i Uninsured Project, “A Historical View of Hawaii's Prepaid Health Care Act,” July 2004.

Centers for Medicare and Medicaid Services, “Details for QUEST Expanded,” Medicaid Waivers and Demonstration List Web site (accessed Aug. 2009).