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BRIEFING FOR
MS. HILLARY CLINTON

"Hawaii's Employer Mandate and
Its Contribution to Health Care Reform"

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1. Hawaii reaches toward prevention and health care for all through its present system which guarantees universal access to quality health care at reduced costs in comparison to the rest of America.

- It has developed programs which result in 98% of its people having actual insurance coverage.

- Its health care costs stand between 8-9% of Gross Domestic Product while the comparable figure for the U.S. is at 14%.

- Its people enjoy better health status with low infant mortality, low premature mortality for chronic diseases, and low use of expensive health care.

2. The key element of Hawaii's system is its Prepaid Health Care Act. The Act was passed in 1974 during a period of high unemployment. It mandates health care coverage for most employees. Its continuance is possible through the nation's only ERISA exemption. Hawaii's employer mandate is not a "pay or play" system with a large governmental role, but a system in which "everybody plays", with minimal governmental intervention.

3. In Prepaid Health Care employer/employees share the costs of coverage. The employee cost is limited to 1.5% of wages, while the employer pays the balance--over time, the burden of increasing costs has fallen on the employer.

The program provides solid health coverage with: 120 days of inpatient care, medical coverage for both inpatient/outpatient visits, maternity, lab/x-ray, and surgical coverage included. Drug coverage is prevalent though not mandated. Prenatal/well baby/well child coverage is available for most people through insurance mandates.

The Act covers employees working more than 20 hours a week. No medical exclusion allowed, and workers are not denied coverage because of medical conditions. The Act is administered by Hawaii's Department of Labor and Industrial Relations along with Workers Compensation and Temporary Disability programs with minimal bureaucracy.

4. Effects of Prepaid Health Care on Health Coverage

The Prepaid Health Care program has lowered Hawaii's uninsured rate from 17.2% in 1971 to about 5% in 1988; indirectly, by requiring that all employers cover their employees, it supports voluntary community rating for small businesses by HMSA and Kaiser, the two major insurers who together possess about 74% of the market.

5. Effects of Prepaid Health Care on Health Status

The availability of primary care coverage leads to people being able to see a doctor for health problems when they first arise, and encourage use of preventive services. As a result, Hawaii's people show low rates of premature mortality for such chronic diseases as cancer, heart disease, and lung disease. The effects are also manifested by low utilization of expensive health care services, such as emergency rooms and inpatient visits.

6. Effects of Prepaid Health Care on Business and Health Care Costs

Basically, good health of a population results in lower health care costs. Hawaii's low utilization and its modified community rating has resulted in low cost coverage for small businesses. The ends costs large scale shifting from uncompensated care and so insured businesses don't subsidize employer mandate health care costs for non-insuring businesses. Our system is fair to all. No new taxes have been enacted to payp for Prepaid Health Care. And our experience has shown an employer mandate doesn't hurt business. We have a creation rate for new businesses. (We were 3rd in the nation in 1990.) Our state over many years has been well below national average for business failures. And, the Act had no effect on unemployment. Unemployment in Hawaii was high before the Act, and lower in the 1980's and 1990's. Finally, use of Premium Supplementation fund established to help small business, has been minimal. Over 19 years, only $85,000 used.

7. In summary, an employer mandate works. It supports and benefits from insurance reforms. It was implemented quickly

in Hawaii. It enforces a level playing field for all business with minimal government intrusion.

Most important, it has not hurt business. After 20 years of mandate, Hawaii has low unemployment and a high business creation rate. It is well below the national average for failures over time. Its health care costs remain <u>far</u> lower than mainland business counterparts. In a human dimension, employees and their families need not worry about health problems and health problems do not place a major drag on productivity.

Finally, the mandate has brought about a creative partnership between Government, business, and health care providers. In this arrangement, society has made health care a right, but allowed the private sector to work out the details of coverage. The result has been an efficient, effective, workable system for all.

Conclusion:

Despite its strides in health care reform, Hawaii needs National Health Care Reform to effect further needed improvement. Medicare and Medicaid contribute to its cost increases. Medical malpractice reform would best be implemented nationally. There is a need for increased emphasis and funding for public health and for primary care training, administrative streamlining, simplification of paperwork, data systems and monitoring of health outcomes. All of these can best be attained at the national level.

There is no perfect solution for health care reform. Even here, we do not have a true "system" or blueprint for success. We are ahead of the rest of the nation, but the foundation of our comparative success results from the positive effects of our employer mandate. But it alone is not sufficient to completely control costs or meet the needs of special populations and the unemployed. We need a National Health Care Reform strategy to make further progress, and thus we are extremely grateful to know that the commitment of such a critically needed effort now comes from the White House. We thank you for your willingness to incorporate Hawaii's lessons as part of this historic effort.

===== POLITICS & POLICY =====

#1 H.R. CLINTON: HAWAII'S EMPLOYER MANDATES -- PARADISE?

Under the header, "Hillary Clinton hears from critics of Isle health care," HONOLULU ADVERTISER reports, "First Lady Hillary Rodham Clinton heard glowing reports about Hawaii's health care system [7/13]. But critics of the Hawaii plan suggest that, in applying the local lessons nationally, the first lady should keep in mind that the system is not without flaws." ADVERTISER's coverage of Clinton's meeting with five small business owners and a televised community forum sponsored by Gov. John Waihee (D) focuses on Hawaiians' criticism of the state's employer mandate. At the forum, Clinton was told that while the state's Prepaid Health Care Act is successful in keeping health costs low and improving health status, it may need "revision." HI Business League's Tim Lyons: "The first step is to try to find another way to look at it, and put it a little bit in line with 1993, as opposed to 1974 when it was passed." HI State Primary Care Assn.'s Beth Giesting told Clinton: "It is true that most people (in Hawaii) have insurance and that's really positive. But having an insurance card does not ensure access to health care. That, unfortunately, is an issue our policymakers seem to have missed the boat on" (Susan Hooper, 7/14).

CLINTON'S TAKE: However, Balto. SUN reports Clinton told reporters following the meetings, "So far as we can determine," HI's plan has "very few adverse consequences for the employers." Clinton: "Most employers view the provision of health care for their employees as part of the social contract in a sense, which they think makes sense for them because everybody's in the system then" (7/14). WASH. TIMES: "Clinton told reporters ... one of the 'very strong features in the Hawaiian system' is the employer mandate" (Karen Riley, 7/14).

THE REAL STORY?: WASH. POST's coverage of Clinton's meetings focuses on a recent Kaiser survey of 500 Hawaiian small business owners (see AHL, 6/30) which found mixed reactions to Hawaii's system. Kaiser Family Fdn.'s Drew Altman: "We're going to see an all-out war soon over health care reform and the hottest issue in that war will be the employer mandate. The likelihood is that both sides will exaggerate. This is not a pain-free approach, nor does it have catastrophic effects" (Dana Priest, 7/14).

PRAISE FOR HAWAII: WASH. TIMES: "Hillary Rodham Clinton has been like a proud parent during her whirlwind visit to Hawaii, lavishing praise on a state health care system that requires employers to insure their workers" (Riley, 7/14). Clinton to forum attendees: "I really believe that the rest of the country has a lot to learn from what you have done over the past 20 years. And I am looking forward to having that chance this morning. So I am here to listen and ask questions and not only enhance my own awareness but to take back with me to Washington specific suggestions from you as to how the national system should be implemented and what you would expect it to be able to do based on your experience" ("MacNeil/Lehrer," PBS, 7/13). Clinton: "It is very exciting for me to be in a group of