



# Hawaii's Prepaid Health Care Act

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# Hawaii's Prepaid Health Care Act

- Enacted in 1974
- Only state provided an exemption from ERISA for health benefits

## Major Components

- Employer Mandate
- Maximum Employee Share
- Highly regulated and standardized plans

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## Employer Mandate Details

- Employers of all sizes (including business of one) required to offer coverage to any employee working 20 or more hours per week
  - Certain commission-based and seasonal-agricultural workers are exempted
- Requirement to offer occurs after 4 weeks of employment
- Nominal penalties for non-compliance, but non-compliant employer can be held responsible for medical costs of an eligible employee

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## Employee Share Details

- Employee share is limited to the lesser of:
  - $\frac{1}{2}$  of the premium cost, or
  - 1.5% of employee's wages
- Employee share limitation only applies to the core elements of the prepaid plan (i.e. prescription coverage is via rider and therefore, not subject to limits)

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## Prepaid Plan Types

- Plans can be sold by an insurance company (fully insured) or offered by an employer (self-insured)
- Plans are then sorted based on benefit design as compared to the most widely purchased plan

### **7a Plans**

*Equal to or exceeding most prevalent plan*

- Most common offering to employees

### **7b Plans**

*Sound coverage, but less rich than prevalent plan (higher deductible & copays)*

- Allowed, but employers are also required to contribute ½ of premium for dependent coverage

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## Interaction with the Affordable Care Act

- 7a plans, and most 7b plans, provide benefits in excess of silver coverage
- Hawaii received first Affordable Care Act waiver (1332 waiver) to allow Prepaid to continue to operate by waiving SHOP requirement

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## Effects of Prepaid in Hawaii

- Buchmiller et. al, 2011 studied the effects of Prepaid from 1979 through 2005
- Study found high rates of ESI coverage, with a distinctly high rate of coverage for workers with characteristics that normally suggest low rates of coverage
- Study found no effects on wages given the employer mandate.

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