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
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

<table>
<thead>
<tr>
<th>7a Plans</th>
<th>7b Plans</th>
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<tbody>
<tr>
<td><em>Equal to or exceeding most prevalent plan</em>&lt;br&gt;• Most common offering to employees</td>
<td><em>Sound coverage, but less rich than prevalent plan</em>&lt;br&gt;(higher deductible &amp; copays)&lt;br&gt;• Allowed, but employers are also required to contribute ½ of premium for dependent coverage</td>
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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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