
A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Medicaid is the cornerstone of health care for
2 our most needy population. Further, the legislature pointed out
3 in S.C.R. No. 77, S.D. 2, H.D. 1, that "it is in the public
4 interest to ensure that health care payments made with state
5 funds or controlled by the State are sufficient to cover the
6 actual costs of care." However, inadequate payment and
7 reimbursement from medicaid have compromised access to medical
8 care not only for the uninsured and those covered by medicaid,
9 but even for those individuals who have private employer-based
10 health insurance.

11 Although our community health care centers provide
12 excellent primary care and outreach, they do not cover specialty
13 and hospital care. Patients who cannot get access to the health
14 care they need are more likely to seek care in the more
15 expensive emergency room setting. As documented in numerous
16 media reports, emergency room access to specialty care coverage
17 has reached crisis proportions.



1 Hawaii's hospitals in particular have been detrimentally
2 affected by the inadequacy of medicaid reimbursements and
3 payments. Hawaii's hospitals have annually lost millions of
4 dollars because government reimbursement is far below cost.
5 Between 2003 and 2005, medicaid payments to hospitals covered
6 only seventy-three to seventy-eight per cent of total medicaid
7 costs, creating a strain on the hospitals' financial stability.

8 Currently, the administrative rules of the department of
9 human services governing fee-for-service medicaid reimbursement
10 provide only for hospital inpatient and long-term care nursing
11 rates to be adjusted annually for inflation. Reimbursement
12 rates for other services have gone years without a rate
13 adjustment for inflation despite the rising cost of providing
14 these services. Additionally, hospital outpatient services
15 rates have not been increased for many years, while hospital
16 labor and other costs have increased dramatically over the
17 years. Consequently, hospitals have suffered financially and
18 have had to use prior year's reserves and other funds to make up
19 the shortfall from medicaid services.

20 Accordingly, to meet rising health care costs and ensure
21 that Hawaii's residents have continued access to quality health
22 care, the purpose of this Act is to:



1 (1) Establish a process by which medicaid fee-for-service
2 individual provider reimbursement rates are increased
3 annually for inflation; and

4 (2) Retroactively adjust for inflation, payments made to
5 providers of hospital outpatient services and other
6 individual providers to account for the lack of a rate
7 increase for the past five years.

8 SECTION 2. Section 346-59, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) Rates of payment to providers of medical care who are
11 individual practitioners, including doctors of medicine,
12 dentists, podiatrists, psychologists, osteopaths, optometrists,
13 and other individuals providing services, shall be based upon
14 the Hawaii medicaid fee schedule. The amounts paid shall not
15 exceed the maximum permitted to be paid individual practitioners
16 or other individuals under federal law and regulation, the
17 medicare fee schedule for the current year, the state limits as
18 provided in the appropriation act, or the provider's billed
19 amount.

20 The appropriation act shall indicate the percentage of the
21 medicare fee schedule for the year [~~2000~~] 2006 to be used as the
22 basis for establishing the Hawaii medicaid fee schedule. For



1 any subsequent adjustments to the fee schedule, the legislature
2 shall specify the extent of the adjustment in the appropriation
3 act.

4 Rates under the medicaid fee schedule shall be adjusted
5 each year for inflation by multiplying the rates in effect on
6 June 30 of each year by the sum of one plus the inflation factor
7 for the prior fiscal year. The inflation factor shall be based
8 on the latest available actual, or estimated if actual is not
9 available, national index for providers of medical care who are
10 individual practitioners. The percentage of the medicare fee
11 schedule upon which the medicaid fee schedule is based shall be
12 adjusted accordingly in the appropriation act for that year,
13 within the payment limits of this subsection."

14 SECTION 3. The department of human services shall adjust
15 payments made for noninstitutional items and services provided
16 by medicaid fee-for-service practitioners during fiscal year
17 2001-2002 and fiscal bienniums 2003-2005 and 2005-2007, for
18 inflation by multiplying those payments by the sum of one plus
19 the inflation factor for the prior fiscal year, based on the
20 latest available actual, or estimated if actual is not
21 available, national index for providers of medical care who are
22 individual practitioners. The department of human services



1 shall reimburse practitioners for the difference between actual
2 payments and adjusted payment amounts; provided that the amounts
3 paid shall not exceed the maximum permitted to be paid
4 individual practitioners or other individuals under federal law
5 and regulation, and the medicare fee schedule for the current
6 year.

7 SECTION 4. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$26,000,000 or so
9 much thereof as may be necessary for fiscal year 2007-2008 to
10 adjust for inflation, payments made to medicaid fee-for-service
11 practitioners during fiscal year 2001-2002 and fiscal bienniums
12 2003-2005 and 2005-2007.

13 The sum appropriated shall be expended by the department of
14 human services for the purposes of this Act.

15 SECTION 5. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so
17 much thereof as may be necessary for fiscal year 2007-2008 and
18 \$ or so much thereof as may be necessary for fiscal year
19 2008-2009 to increase the medicaid fee schedule to one hundred
20 per cent of the 2006 medicare fee schedule.

21 The sums appropriated shall be expended by the department
22 of human services for the purposes of this Act.



1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2007.

4

INTRODUCED BY:



JAN 17 2007



Report Title:

Medicaid Fee Schedule Rate Increase; Annual Inflation Adjustment

Description:

Amends Medicaid fee schedule law to require an annual adjustment for inflation. Appropriates funds to retroactively adjust for inflation, payments made to fee-for-service providers for fiscal year 2001-2002 and bienniums 2002-2005 and 2005-2007. Changes Medicaid fee schedule to 100% of the 2006 Medicare fee schedule.

