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# A BILL FOR AN ACT

RELATING TO HEALTH.

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

1           SECTION 1. The legislature finds that medicaid is the  
2           cornerstone of health care for our most needy population.  
3           Further, the legislature has previously recognized that it is in  
4           the public interest to ensure that health care payments made  
5           with state funds or controlled by the State are sufficient to  
6           cover the 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 also 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 obtain access to the  
14          health 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 the cost  
5 of providing medical care. Between 2003 and 2005, medicaid  
6 payments to hospitals covered only seventy-three to seventy-  
7 eight per cent of total medicaid costs, creating a strain on the  
8 hospitals' financial stability.

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



1 The purpose of this Act is to meet rising health care costs  
2 and ensure that Hawaii's residents have continued access to  
3 quality health care by:

4 (1) Establishing a process by which medicaid fee-for-  
5 service individual provider reimbursement rates are  
6 increased annually for inflation;

7 (2) Retroactively adjusting for inflation, payments made  
8 to providers of hospital outpatient services and other  
9 individual providers to account for the lack of a rate  
10 increase for the past five years; and

11 (3) Appropriating funds:

12 (A) To increase the medicaid fee schedule for the  
13 fiscal biennium 2007-2009;

14 (B) To adjust for inflation payments made to medicaid  
15 fee-for-service hospitals during fiscal biennium  
16 2005-2007; and

17 (C) For the State's portion of the federal  
18 disproportionate share hospital allowance.

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

21 "(b) Rates of payment for outpatient hospital services,  
22 excluding emergency room services, and to providers of medical



1 care who are individual practitioners, including doctors of  
2 medicine, dentists, podiatrists, psychologists, osteopaths,  
3 optometrists, and other individuals providing services, shall be  
4 based upon the Hawaii medicaid fee schedule. The amounts paid  
5 shall not exceed the maximum permitted to be paid individual  
6 ~~[practitioners]~~ providers or other individuals under federal law  
7 and regulation, the medicare fee schedule for the current year,  
8 the state limits as provided in the appropriation act, or the  
9 provider's billed amount.

10 ~~[The appropriation act shall indicate the percentage of the~~  
11 ~~medicare fee schedule for the year 2000 to be used as the basis~~  
12 ~~for establishing the Hawaii medicaid fee schedule. For any~~  
13 ~~subsequent adjustments to the fee schedule, the legislature~~  
14 ~~shall specify the extent of the adjustment in the appropriation~~  
15 ~~act.]~~ Rates under the medicaid fee schedule shall be adjusted  
16 each year for inflation by multiplying the rates in effect on  
17 June 30 of each year by the sum of one plus the inflation factor  
18 for the prior fiscal year. The inflation factor shall be based  
19 on the latest available actual, or estimated if actual is not  
20 available, national index for providers of medical care. This  
21 subsection shall not apply to QUEST medical plans."



1 SECTION 3. The department of human services shall adjust  
2 payments made for noninstitutional items and services provided  
3 by medicaid fee-for-service providers during fiscal biennium  
4 2005-2007, for inflation by multiplying those payments by the  
5 sum of one plus the inflation factor for the prior fiscal year,  
6 based on the latest available actual, or estimated if actual is  
7 not available, national index for providers of medical care.  
8 The department of human services shall reimburse providers for  
9 the difference between actual payments and adjusted payment  
10 amounts; provided that the amounts paid shall not exceed the  
11 maximum permitted to be paid individual practitioners or other  
12 providers under federal law and regulation, and the medicare fee  
13 schedule for the current year.

14 SECTION 4. There is appropriated out of the general  
15 revenues of the State of Hawaii the sum of \$ or so much  
16 thereof as may be necessary for fiscal year 2007-2008 to adjust  
17 for inflation payments made to medicaid fee-for-service  
18 hospitals during fiscal biennium 2005-2007.

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

21 SECTION 5. There is appropriated out of the general  
22 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2007-2008 and the  
2 same sum or so much thereof as may be necessary for fiscal year  
3 2008-2009 to increase the medicaid fee schedule pursuant to  
4 section 346-59(b), Hawaii Revised Statutes.

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

7 SECTION 6. There is appropriated out of the general  
8 revenues of the State of Hawaii the sum of \$ or so much  
9 thereof as may be necessary for fiscal year 2007-2008 for the  
10 State's portion of the federal disproportionate share hospital  
11 allowance.

12 The sums appropriated shall be expended by the human  
13 services for the purposes of this Act.

14 SECTION 7. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16 SECTION 8. This Act shall take effect on July 1, 2007.



**Report Title:**

Medicaid Fee Schedule Rate Increase; Annual Inflation Adjustment

**Description:**

Amends the medicaid fee schedule law to require an annual adjustment for inflation; appropriates funds. (SD2)

