
A BILL FOR AN ACT

RELATING TO DIRECT PAYMENT TO PROVIDERS.

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

1 SECTION 1. The legislature finds that the State's
2 healthcare system is in financial crisis due to low
3 reimbursements and increasing costs. The low reimbursement
4 rates have forced hospitals and other providers to institute
5 cost-cutting measures that may not be in the best interest of
6 consumers. Providers negotiate contracts with insurers, mutual
7 benefit societies, and health maintenance organizations.
8 However, the providers are not in an equal bargaining position
9 when negotiating the contracts. Providers are forced to either
10 accept rates that are often substantially below the cost of
11 providing the services or be classified as a "non-participating
12 provider", which results in some payers making reimbursement
13 directly to the patient rather than to the provider. The
14 provider is then forced to collect the fees from the patient,
15 which results in increased collection costs, delayed payments,
16 and substantially lowered collection success with a potential
17 for increased cost for the individual receiving the services.



1 The purpose of this Act is to further the public's interest
2 in maintaining a financially sound healthcare system by
3 requiring insurers, mutual benefit societies, and health
4 maintenance organizations to pay healthcare providers directly
5 regardless of the healthcare provider's participatory status
6 with the insurer, mutual benefit society, or health maintenance
7 organization.

8 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
9 amended by adding a new section to article 10A to be
10 appropriately designated and to read as follows:

11 "§431:10A- Direct payment for healthcare services. (a)
12 An insurer, after receiving a claim for payment of benefits,
13 shall make the payment directly to the healthcare provider that
14 provided the services, regardless of the healthcare provider's
15 participatory status with the insurer's plan; provided that this
16 subsection shall not require payment for services that are not
17 covered under the plan.

18 (b) If the insurer makes payment to the insured, the
19 insurer shall remain liable for payment to the healthcare
20 provider. This subsection shall not prohibit the insurer from
21 recovering any amount mistakenly paid to the insured.



1 (c) "Healthcare provider" as used in this section means a
2 "provider of services", as defined in 42 United States Code
3 Section 1395x(u), a provider of "medical and other health
4 services", as defined in 42 United States Code Section 1395x(s),
5 and any other person or organization who furnishes, bills, or is
6 paid for healthcare in the normal course of business.

7 (d) The provisions of this section shall not apply to any
8 entity or situation when their application to the entity or
9 situation would be preempted under the Employee Retirement
10 Income Security Act of 1974, 29 United States Code Sections
11 1001, et seq."

12 SECTION 3. Chapter 432, Hawaii Revised Statutes, is
13 amended by adding a new section to article 1 to be appropriately
14 designated and to read as follows:

15 "§432:1- Direct payment for healthcare services. (a)
16 A mutual benefit society, after receiving a claim for benefits
17 under this chapter, shall make payment directly to the
18 healthcare provider that provided the services, regardless of
19 the healthcare provider's participatory status with the
20 society's healthcare plan; provided that this subsection shall
21 not require payment for services that are not covered under the
22 plan.



1 (b) If the society makes payment to the member, the
2 society shall remain liable for payment to the healthcare
3 provider. This subsection shall not prohibit the society from
4 recovering any amount mistakenly paid to the member.

5 (c) The term "healthcare provider" as used in this section
6 means a provider of services, as defined in 42 United States
7 Code Section 1395x(u), a provider of "medical and other health
8 services", as defined in 42 United States Code Section 1395x(s),
9 and any other person or organization who furnishes, bills, or is
10 paid for healthcare in the normal course of business.

11 (d) The provisions of this section shall not apply to any
12 entity or situation when their application to the entity or
13 situation would be preempted under the Employee Retirement
14 Income Security Act of 1974, 29 United States Code Sections
15 1001, et seq."

16 SECTION 4. Chapter 432D, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§432D- **Direct payment for healthcare services.** (a) A
20 health maintenance organization, after receiving a claim for
21 benefits under this chapter, shall make payment directly to the
22 healthcare provider that provided the services, regardless of



1 the healthcare provider's participatory status with the health
2 maintenance organization healthcare plan; provided that this
3 subsection shall not require payment for services that are not
4 covered under the plan.

5 (b) If the health maintenance organization makes payment
6 to the enrollee, the health maintenance organization shall
7 remain liable for payment to the healthcare provider. This
8 subsection shall not prohibit the health maintenance
9 organization from recovering any amount mistakenly paid to the
10 enrollee.

11 (c) The term "healthcare provider" as used in this section
12 means a provider of services, as defined in 42 United States
13 Code Section 1395x(u), a provider of "medical and other health
14 services", as defined in 42 United States Code Section 1395x(s),
15 and any other person or organization who furnishes, bills, or is
16 paid for healthcare in the normal course of business.

17 (d) The provisions of this section shall not apply to any
18 entity or situation when their application to the entity or
19 situation would be preempted under The Employee Retirement
20 Income Security Act of 1974, 29 United States Code Sections
21 1001, et seq."

22 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act shall take effect upon its approval
2 and shall be repealed on May 1, 2013.



Report Title:

Direct Payment to Providers

Description:

Allows medical services providers to receive payment directly from health insurers, health maintenance organizations, and mutual benefit societies, rather than attempting to collect from the patient when the provider does not have a contract with the insurer. Repeals these provisions on 05/01/2013. (HB3157 HD1)

