

---

---

# 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 individuals who are covered by private employer-  
10  based health insurance.

11           Although Hawaii community health care centers provide  
12  excellent primary care and outreach, they do not cover specialty  
13  and hospital care. Patients who cannot access the health care  
14  they need are more likely to seek care in the more expensive  
15  emergency room setting. As documented in numerous media  
16  reports, emergency room access to specialty care coverage has  
17  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 The purpose of this Act is to meet rising health care costs  
21 and ensure that Hawaii's residents have continued access to  
22 quality health care by:



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

4 (2) Retroactively adjusting for inflation, payments made  
5 to 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 for outpatient hospital services,  
11 excluding emergency room services, and to providers of medical  
12 care who are individual practitioners, including doctors of  
13 medicine, dentists, podiatrists, psychologists, osteopaths,  
14 optometrists, and other individuals providing services, shall be  
15 based upon the Hawaii medicaid fee schedule. The amounts paid  
16 shall ~~[not exceed the maximum permitted to be paid individual~~  
17 ~~practitioners or other individuals under federal law and~~  
18 ~~regulation,]~~ be one hundred per cent of the medicare fee  
19 schedule for the current year~~[, the state limits as provided in~~  
20 ~~the appropriation act, or the provider's billed amount].~~

21 ~~[The appropriation act shall indicate the percentage of the~~  
22 ~~medicare fee schedule for the year 2000 to be used as the basis~~



1 ~~for establishing the Hawaii medicaid fee schedule. For any~~  
2 ~~subsequent adjustments to the fee schedule, the legislature~~  
3 ~~shall specify the extent of the adjustment in the appropriation~~  
4 ~~act.]~~

5 Rates under the medicaid fee schedule shall be adjusted  
6 each year for inflation by multiplying the rates in effect on  
7 June 30 of each year by the sum of one plus the inflation factor  
8 for the prior fiscal year. The inflation factor shall be based  
9 on the latest available actual, or estimated if actual is not  
10 available, national index for providers of medical care. This  
11 section shall not apply to QUEST medical plans."

12 SECTION 3. The department of human services shall adjust  
13 payments made for noninstitutional items and services provided  
14 by medicaid fee-for-service providers during fiscal biennium  
15 2005-2007, for inflation by multiplying those payments by the  
16 sum of one plus the inflation factor for the prior fiscal year,  
17 based on the latest available actual, or estimated if actual is  
18 not available, national index for providers of medical care.  
19 The department of human services shall reimburse providers for  
20 the difference between actual payments and adjusted payment  
21 amounts; provided that the amounts paid shall not exceed the



1 maximum permitted to be paid providers under federal law and  
2 regulation, and the medicare fee schedule for the current year.

3 SECTION 4. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$9,800,000, or so  
5 much thereof as may be necessary for fiscal year 2007-2008, to  
6 adjust for inflation payments made to medicaid fee-for-service  
7 providers during fiscal biennium 2005-2007.

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

10 SECTION 5. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$8,800,000, or so  
12 much thereof as may be necessary for fiscal year 2007-2008, and  
13 the same sum, or so much thereof as may be necessary for fiscal  
14 year 2008-2009, to increase the medicaid fee schedule as  
15 provided in section 346-59(b), Hawaii Revised Statutes.

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

18 SECTION 6. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$8,000,000 or so much  
20 thereof as may be necessary for fiscal year 2007-2008, for the  
21 state portion of the medicaid federal disproportionate share  
22 hospital allowance.



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

3           SECTION 7. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

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



**REPORT Title:**

Medicaid Fee Schedule Rate Increase; Annual Inflation Adjustment

**Description:**

Amends medicaid fee schedule to set the rate of payment at one hundred per cent of the Medicare fee schedule. Appropriates \$9,800,000 to retroactively adjust for payments made to fee-for-service providers for fiscal biennium 2005-2007, \$17,600,000 for fiscal biennium 2007-2009 to increase the Medicaid fee schedule, and \$8,000,000 for the state portion of the Medicaid federal disproportionate share hospital allowance. (SB1672 HD1)

