

REPORT Title:

Medicaid Fee Schedule Rate Increase; Annual Inflation Adjustment

Description:

Amends medicaid fee schedule to require annual inflation adjustment. Appropriates \$ to retroactively adjust for payments made to fee-for-service providers for FY 2001-2002 and the FY 2003-2005 and FY 2005-2007. Changes medicaid fee schedule to 100% of the 2006 medicare fee schedule and appropriates \$. Effective 7/1/2015. (SD2)

THE SENATE
TWENTY-FOURTH LEGISLATURE, 2007
STATE OF HAWAII

S.B. NO. ¹⁶⁷²
S.D. 2

A BILL FOR AN ACT

relating to health.

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

SECTION 1. The legislature finds that medicaid is the cornerstone of health care for our most needy population. Further, the legislature has previously recognized that it is in the public interest to ensure that health care payments made with state funds or controlled by the State are sufficient to cover the actual costs of care. However, inadequate payment and reimbursement from medicaid have compromised access to medical care not only for the uninsured and those covered by medicaid, but even for those individuals who have private employer-based health insurance.

Although our community health care centers provide excellent

primary care and outreach, they do not cover specialty and hospital care. Patients who cannot get access to the health care they need are more likely to seek care in the more expensive emergency room setting. As documented in numerous media reports, emergency room access to specialty care coverage has reached crisis proportions.

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

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

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

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

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

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

"(b) Rates of payment for outpatient hospital services, excluding emergency room services, and to providers of medical care who are individual practitioners, including doctors of medicine, dentists, podiatrists, psychologists, osteopaths, optometrists, and other individuals providing services, shall be based upon the Hawaii medicaid fee schedule. The amounts paid shall not exceed the maximum permitted to be paid individual [~~practitioners~~] providers or other individuals under federal law and regulation, the medicare fee schedule for the current year, the state limits as provided in the appropriation act, or the provider's billed amount.

The appropriation act shall indicate the percentage of the medicare fee schedule for the year [~~2000~~] 2006 to be used as the basis for establishing the Hawaii medicaid fee schedule. For any subsequent adjustments to the fee schedule, the legislature shall specify the extent of the adjustment in the appropriation act.

Rates under the medicaid fee schedule shall be adjusted each year for inflation by multiplying the rates in effect on June 30 of

each year by the sum of one plus the inflation factor for the prior fiscal year. The inflation factor shall be based on the latest available actual, or estimated if actual is not available, national index for providers of medical care. The percentage of the medicare fee schedule upon which the medicaid fee schedule is based shall be adjusted accordingly in the appropriation act for that year, within the payment limits of this subsection."

SECTION 3. The department of human services shall adjust payments made for noninstitutional items and services provided by medicaid fee-for-service providers during fiscal year 2001-2002 and fiscal bienniums 2003-2005 and 2005-2007, for inflation by multiplying those payments by the sum of one plus the inflation factor for the prior fiscal year, based on the latest available actual, or estimated if actual is not available, national index for providers of medical care. The department of human services shall reimburse providers for the difference between actual payments and adjusted payment amounts; provided that the amounts paid shall not exceed the maximum permitted to be paid individual providers under federal law and regulation, and the medicare fee schedule for the current year.

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

The sum appropriated shall be expended by the department of

human services for the purposes of this Act.

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

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

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

SECTION 7. This Act shall take effect on July 1, 2015.