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# A BILL FOR AN ACT

RELATING TO MEDICAL REIMBURSEMENT.

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

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

7           (2) Retroactively adjust for inflation payments made to  
8 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) Appropriate funds to increase the medicaid fee  
12 schedule to           per cent of the 2006 medicare fee  
13 schedule for fiscal biennium 2007-2009.

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

16           "(b) Rates of payment to providers of medical care who are  
17 individual practitioners, including doctors of medicine,  
18 dentists, podiatrists, psychologists, osteopaths, optometrists,  
19 and other individuals providing services, shall be based upon  
20 the Hawaii medicaid fee schedule. The amounts paid shall not  
21 exceed the maximum permitted to be paid individual practitioners  
22 or other individuals under federal law and regulation, the



1 medicare fee schedule for the current year, the state limits as  
2 provided in the appropriation act, or the provider's billed  
3 amount.

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

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

20       SECTION 3. The department of human services shall adjust  
21 payments made for noninstitutional items and services provided  
22 by medicaid fee-for-service practitioners during fiscal biennium



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

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

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

19 SECTION 5. There is appropriated out of the general  
 20 revenues of the State of Hawaii the sum of \$ or so  
 21 much thereof as may be necessary for fiscal year 2007-2008 and  
 22 the sum of \$ or so much thereof as may be necessary



1 for fiscal year 2008-2009 to increase the medicaid fee schedule  
2 to per cent of the 2006 medicare fee schedule.

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

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

7 SECTION 7. This Act shall take effect on July 1, 2112.



S.B. NO. 1678  
S.D. 2  
H.D. 2

**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 biennium 2005-2007. Changes Medicaid fee schedule to a percentage of the 2006 Medicare fee schedule. (SB1678 HD2)

SB1678 HD2 HMS 2007-3343

