

JAN 22 2008

A BILL FOR AN ACT

RELATING TO MEDICAL REIMBURSEMENT.

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 Moreover, the legislature recognized in Senate Concurrent
4 Resolution No. 77, S.D. 2, H.D. 1, 2006, that "it is in the
5 public interest to ensure that health care payments made with
6 state funds or controlled by the State are sufficient to cover
7 the actual costs of care." However, inadequate medicaid
8 payments and reimbursements have compromised access to medical
9 care not only for the uninsured and those who are medicaid
10 recipients but also for those individuals who have private
11 employer-based health insurance. Hawaii's hospitals in
12 particular have been detrimentally affected by the inadequacy of
13 medicaid reimbursements and payments. Hawaii's hospitals have
14 lost millions of dollars annually because federal reimbursement
15 is far below the cost of providing medical care. Between 2003
16 and 2005, medicaid payments to hospitals covered only seventy-



1 three to seventy-eight per cent of actual medical costs,
2 creating a strain on the hospitals' financial stability.

3 Although community health care centers provide excellent
4 primary care and outreach, they do not cover specialty or
5 hospital care. Patients who cannot obtain access to necessary
6 treatment are more likely to need care later in the more
7 expensive emergency room setting. As documented in numerous
8 media reports, emergency room access to specialty care has
9 reached crisis proportions.

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



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 during the fiscal biennium 2005-
10 2007 to account for the lack of a rate increase for
11 the past five years; and

12 (3) Appropriate funds to increase the medicaid fee
13 schedule to per cent of the 2007 medicare fee
14 schedule for fiscal year 2008-2009.

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

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

1 or other individuals under federal law and regulation, the
2 medicare fee schedule for the current year, the state limits as
3 provided in the appropriation act, or the provider's billed
4 amount.

5 The appropriation act shall indicate the percentage of the
6 medicare fee schedule for the year [~~2000~~] 2007 to be used as the
7 basis for establishing the Hawaii medicaid fee schedule. For
8 any subsequent adjustments to the fee schedule, the legislature
9 shall specify the extent of the adjustment in the appropriation
10 act.

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

21 SECTION 3. The department of human services shall adjust
22 payments made for noninstitutional items and services provided



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

13 SECTION 4. There is appropriated out of the general
 14 revenues of the State of Hawaii the sum of \$ or so
 15 much thereof as may be necessary for fiscal year 2008-2009 to
 16 adjust for inflation payments made to medicaid fee-for-service
 17 practitioners during fiscal biennium 2005-2007.

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

20 SECTION 5. There is appropriated out of the general
 21 revenues of the State of Hawaii the sum of \$ or so
 22 much thereof as may be necessary for fiscal year 2008-2009 to



1 increase the medicaid fee schedule to per cent of the 2007
2 medicare fee schedule.

3 The sum appropriated shall be expended by the department of
4 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, 2008.

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INTRODUCED BY:

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Report Title:

Department of Human Services; Medicaid Fee Schedule; Inflation Adjustment; Appropriation

Description:

Amends medicaid fee schedule law to require an annual adjustment for inflation. Amends medicaid fee schedule to a percentage of the 2006 medicare fee schedule. Appropriates funds to retroactively adjust for inflation payments made to fee-for-service providers for fiscal biennium 2005-2007.

