

Honolulu, Hawaii

March 16, 2007

RE: S.B. No. 1678
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committees on Human Services & Housing and Health, to which was referred S.B. No. 1678, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO MEDICAL REIMBURSEMENT,"

beg leave to report as follows:

The purpose of this bill is to provide adequate reimbursement to health care providers in Hawaii.

Specifically, this measure requires that, beginning on January 1, 2008, each:

- (1) Participating medical services provider within the network of a mutual benefit society;
- (2) Licensed hospital or nursing facility, excluding emergency room services; and
- (3) Health maintenance organization,

shall be reimbursed for the provision of medical services on all medicare codes to patients, regardless of whether a patient is a participant in a medicaid program, at a rate not less than one hundred per cent of the medicare reimbursement amount that is in effect for the current year and updated for each calendar year thereafter. This bill also provides a mechanism for annual adjustment of rates for inflation and requires the Department of



Human Services to report annually to the Legislature regarding adjustments to rates under the medicaid fee schedule. Finally, this bill appropriates an unspecified amount to the Department of Human Services to cover increases in reimbursement payments and takes effect on July 1, 2007.

Your Committees received testimony in support of this measure from the Hawaii Health Systems Corporation, Hawaii Pacific Health, Hawaii Medical Association, Healthcare Association of Hawaii, The Chamber of Commerce of Hawaii, and the Occupational Therapy Association of Hawaii. The Department of Human Services, Department of Commerce and Consumer Affairs, and Hawaii Medical Services Association offered comments.

Upon further consideration, your Committees have amended this bill as follows:

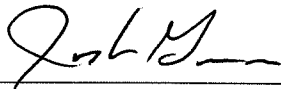
- (1) In section 5, by:
 - (A) Clarifying that those who receive rates of payment based on the Hawaii medicaid fee schedule include "providers" and not "individuals";
 - (B) Clarifying that amounts paid shall only be amounts that equal one hundred per cent of the medicare fee schedule for the current year, and by deleting alternate amounts that do not exceed the maximum permitted to be paid to individual practitioners under:
 - (i) Federal law and regulation;
 - (ii) The state limits as provided in the appropriations act; or
 - (iii) The provider's billed amount;
 - (C) Deleting the qualification that the national index for providers of medical care is the one applying to "individual practitioners", for the purposes of determining the inflation factor; and
 - (D) Adding a provision that section 346-59(b), Hawaii Revised Statutes, relating to rates of payment, shall not apply to QUEST medical plans; and



- (2) In section 6, by clarifying that the unspecified amounts appropriated represent the State's share of funding.

As affirmed by the records of votes of the members of your Committees on Human Services & Housing and Health that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1678, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1678, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committees on Human Services &
Housing and Health,



JOSHUA B. GREEN, M.D., Chair



MAILE SHIMABUKURO, Chair



