
A BILL FOR AN ACT

RELATING TO NONGOVERNMENT HEALTH PLAN PAYMENTS TO CRITICAL ACCESS
HOSPITALS AND FEDERALLY QUALIFIED HEALTH CENTERS.

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

1 SECTION 1. The legislature finds that the contribution of
2 rural hospitals and federally qualified health centers is essential
3 for the health care of the state. All health care providers are
4 hurt by reimbursement trends but rural hospitals and federally
5 qualified health centers are impacted even more significantly. The
6 former serves a low volume of patients but incurs high costs to
7 provide care in remote areas, and the latter cares for underserved
8 populations with complex health and socio-economic needs.

9 Having recognized this, the federal government enacted two
10 measures that specifically support rural hospitals and federally
11 qualified health centers. The first measure is the Medicare Rural
12 Hospital Flexibility Program, a national program designed to assist
13 states and rural communities in improving access to essential health
14 care services through the establishment of limited service hospitals
15 and rural health networks. The program creates the critical
16 access hospital as a limited service hospital eligible for medicare
17 certification and reimbursement, and supports the development of rural



1 health networks consisting of critical access hospitals, acute general
2 hospitals, and other health care providers. The second measure
3 established federally qualified health centers as a category of
4 provider that specializes in comprehensive primary health care for
5 underserved communities. Among the mandated provisions for federally
6 qualified health centers is cost-related reimbursement for medicaid and
7 medicare services.

8 Section 346D-1, Hawaii Revised Statutes, defines critical access
9 hospital as a hospital located in the state that is included in
10 Hawaii's rural health plan approved by the federal Health Care
11 Financing Administration and approved as a critical access hospital by
12 the department of health as provided in Hawaii's rural health plan and
13 as defined in 42 United States Code Section 1395i-4. The United States
14 Department of Health and Human Services Centers for Medicare and
15 Medicaid Services is the successor organization to the Health Care
16 Financing Administration.

17 The Centers for Medicare and Medicaid Services pay critical
18 access hospitals on the basis of one hundred and one per cent of
19 costs for acute care inpatient and outpatient services. The
20 department of human services calculates payments to critical
21 access hospitals on a cost basis for acute inpatient and long-
22 term care services to beneficiaries of the medicaid program.



1 Federally qualified health centers as defined in Section 1905(1)
2 of the Social Security Act (42 United States Code 1396 et seq.)
3 are paid for medicaid services through a prospective payment
4 system methodology based on average costs in 1999 and 2000,
5 adjusted annually according to the medical economic index.

6 The purpose of this Act is to enhance the federal Medicare
7 Rural Hospital Flexibility Program and Federally Qualified
8 Health Center Program by requiring health plans other than
9 government payers licensed to do business in Hawaii, including
10 health maintenance organizations, insurers, nonprofit hospital
11 and medical service corporations, mutual benefit societies, and
12 other entities responsible for the payment of benefits or
13 provision of services under a group contract, to reimburse
14 critical access hospitals at per cent of costs, and to
15 reimburse federally qualified health centers at prospective
16 payment system rates.

17 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
18 amended by adding a new section to article 10A to be
19 appropriately designated and to read as follows:

20 "§431:10A- Cost-based payments to critical access
21 hospitals and federally qualified health centers; rules. (a)
22 Any other law to the contrary notwithstanding, each employer



1 group health policy, contract, plan, or agreement other than
2 government payers, issued, amended, or renewed in this state
3 after December 31, 2009, shall pay:

4 (1) Critical access hospitals, as defined in section 346D-
5 1, no less than per cent of costs, consistent with
6 medicare, for all services rendered to health plan
7 beneficiaries; and

8 (2) Federally qualified health centers no less than their
9 respective prospective payment system rates.

10 (b) The insurance commissioner may adopt rules in
11 accordance with chapter 91 to require health insurers other than
12 government payers to demonstrate compliance annually with this
13 section, including validation of payment rates in line with
14 medicare interim rate letters. Nothing in this section shall
15 set a maximum for the amount a health insurer other than a
16 government payer may pay a critical access hospital or federally
17 qualified health center for services provided to plan
18 beneficiaries. Critical access hospitals and federally
19 qualified health centers shall provide all information as
20 requested by the insurance commissioner to clarify, supplement,
21 or rebut information supplied by a health insurer other than a
22 government payer."



1 SECTION 3. Chapter 432, Hawaii Revised Statutes, is amended
2 by adding a new section to article 1 to be appropriately
3 designated and to read as follows:

4 "§432:1- Cost-based payments to critical access
5 hospitals and federally qualified health centers; rules. (a)

6 Any other law to the contrary notwithstanding, each individual
7 and group hospital or medical service plan, policy, contract, or
8 agreement issued, amended, or renewed in this state after
9 December 31, 2009, by mutual benefit societies shall pay:

10 (1) Critical access hospitals, as defined in section 346D-
11 1, no less than per cent of costs, consistent with
12 medicare, for all services provided to members; and

13 (2) Federally qualified health centers, as defined in
14 Section 1905(1) of the Social Security Act (42 United
15 States Code 1396 et seq.) no less than their
16 respective prospective payment system rates.

17 (b) The insurance commissioner may adopt rules in
18 accordance with chapter 91 to require mutual benefit societies
19 to demonstrate compliance annually with this section, including
20 validation of payment rates in line with medicare interim rate
21 letters. Nothing in this section shall set a maximum for the
22 amount a mutual benefit society may pay a critical access



1 hospital or federally qualified health center for services to
2 members. Critical access hospitals and federally qualified
3 health centers shall provide all information as requested by the
4 insurance commissioner to clarify, supplement, or rebut
5 information supplied by a mutual benefit society."

6 SECTION 4. Chapter 432, Hawaii Revised Statutes, is amended
7 by adding a new section to article 2 to be appropriately
8 designated and to read as follows:

9 "§432:2- Cost-based payments to critical access
10 hospitals and federally qualified health centers; rules. (a)
11 Any other law to the contrary notwithstanding, each individual
12 and group hospital or medical service plan, policy, contract, or
13 agreement issued, amended, or renewed in the state after
14 December 31, 2009, by fraternal benefit societies shall pay:
15 (1) Critical access hospitals, as defined in section 346D-
16 1, no less than per cent of costs, consistent with
17 medicare, for all services provided to members; and
18 (2) Federally qualified health centers, as defined in
19 Section 1905(1) of the Social Security Act (42 United
20 States Code 1396 et seq.) no less than their
21 respective prospective payment system rates.



1 (b) The insurance commissioner may adopt rules in
2 accordance with chapter 91 to require fraternal benefit
3 societies to demonstrate compliance annually with this section,
4 including validation of payment rates in line with medicare
5 interim rate letters. Nothing in this section shall set a
6 maximum for the amount a fraternal benefit society may pay a
7 critical access hospital or federally qualified health center
8 for services to members. Critical access hospitals and
9 federally qualified health centers shall provide all information
10 as requested by the insurance commissioner to clarify,
11 supplement, or rebut information supplied by a fraternal benefit
12 society."

13 SECTION 5. Chapter 432D, Hawaii Revised Statutes, is
14 amended by adding a new section to be appropriately designated
15 and to read as follows:

16 "§432D- Cost-based payments to critical access
17 hospitals and federally qualified health centers; rules. (a)
18 Any other law to the contrary notwithstanding, each policy,
19 contract, plan, or agreement issued, amended, or renewed in the
20 state after December 31, 2009, by health maintenance
21 organizations pursuant to this chapter shall pay:



1 (1) Critical access hospitals, as defined in section 346D-
2 1, no less than per cent of costs, consistent with
3 medicare, for all services provided to members; and

4 (2) Federally qualified health centers, as defined in
5 Section 1905(1) of the Social Security Act (42 United
6 States Code 1396 et seq.) no less than their
7 respective prospective payment system rates.

8 (b) The insurance commissioner may adopt rules in
9 accordance with chapter 91 to require health maintenance
10 organizations to demonstrate compliance annually with this
11 section, including validation of payment rates in line with
12 medicare interim rate letters. Nothing in this section shall
13 set a maximum for the amount a health maintenance organization
14 may pay a critical access hospital or federally qualified health
15 center for services to members. Critical access hospitals and
16 federally qualified health centers shall provide all information
17 as requested by the insurance commissioner to clarify,
18 supplement, or rebut information supplied by a health
19 maintenance organization."

20 SECTION 6. New statutory material is underscored.

21 SECTION 7. This Act shall take effect on July 1, 2020.



Report Title:

Critical Care Access Hospitals; Federally Qualified Health Centers

Description:

Requires mutual and fraternal benefit societies, health maintenance organizations, and health plans other than government payers to pay: (1) critical access hospitals no less than a certain percentage of costs for services; and (2) federally qualified health centers no less than their respective prospective payment system rates. (HB700 HD2)

