
A BILL FOR AN ACT

RELATING TO HEALTH CARE.

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

1 SECTION 1. The legislature finds that rural hospitals and
2 federally qualified health centers are essential to the State's
3 health care system. All health care providers are affected by
4 low reimbursement rates, but rural hospital facilities and
5 publicly supported health centers that serve the economically
6 disadvantaged are especially neglected because of the high cost
7 of providing health care in remote areas with low patient volume
8 and providing comprehensive care to underserved populations with
9 complex health and socio-economic needs. In recognition of
10 these difficulties, the federal government created critical
11 access hospitals and federally qualified health centers to
12 assist the states with improving access to essential health care
13 services.

14 Critical access hospitals and federally qualified health
15 centers serve those who are covered under the medicare and
16 medicaid programs as well as those with other types of health
17 coverage. State and federal law determine the reimbursement



1 rates for medicare and medicaid provided services. The federal
 2 Department of Health and Human Services, through the Centers for
 3 Medicare and Medicaid Services, pays critical access hospitals
 4 one hundred and one per cent of costs for acute care service to
 5 medicare recipients. The state department of human services
 6 also calculates payments to critical access hospitals for
 7 services to medicaid beneficiaries based on the actual cost of
 8 the service. Pursuant to state and federal law, reimbursements
 9 for medicaid services reflect both an estimated average cost and
 10 the actual cost of providing services, with the State making up
 11 the difference between managed care payments and the federal
 12 reimbursement rate.

13 The purpose of this Act is to require health plans, other
 14 than government payors and limited benefit health insurance
 15 policy insurers, licensed to do business in this state, to
 16 reimburse critical access hospitals and federally qualified
 17 health centers at rates consistent with medicare and medicaid
 18 reimbursement rates.

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



1 "§431:10A- Cost-based payments to critical access
2 hospitals and federally qualified health centers. (a) Health
3 insurers other than government payors shall reimburse critical
4 access hospitals as defined in section 346D-1 at a rate not less
5 than one hundred and one per cent of costs, consistent with the
6 medicare reimbursement rate for all services rendered to health
7 plan beneficiaries.

8 (b) Health insurers other than government payors shall pay
9 federally qualified health centers as defined in Section 1905(l)
10 of the Social Security Act (42 U.S.C. 1396d) no less than their
11 respective prospective payment system rates determined pursuant
12 to sections 346-53.6 to 346-53.64.

13 (c) Nothing in this section shall be construed to
14 determine a maximum amount that a health insurer (other than a
15 government payor) may pay to a critical access hospital or
16 federally qualified health center for services to plan
17 beneficiaries.

18 (d) The commissioner may adopt rules pursuant to chapter
19 91 to effectuate the purpose of this section. The commissioner
20 may require health insurers (other than government payors) to
21 annually demonstrate compliance with this section, including

1 validation of payment rates in accordance with medicare interim
2 rate letters.

3 The commissioner may require critical access hospitals and
4 federally qualified health centers to provide information upon
5 request to clarify, supplement, or rebut information supplied by
6 a health insurer; provided that the release of information by a
7 critical access hospital or federally qualified health center
8 shall be subject to the provisions of the Health Insurance
9 Portability and Accountability Act of 1996.

10 (e) This section shall not apply to an accident-only,
11 specified disease, hospital indemnity, medicare supplement,
12 long-term care, or other limited benefit health insurance
13 policy.

14 (f) As used in this section:

15 "Government payor" means a state or federal government
16 entity that provides medical assistance in the form of payment
17 or reimbursement to a health care provider for the cost of
18 providing health care to an enrollee, or a nongovernmental party
19 contracted by a government entity to do so."

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

SB1140 HD1 HMS 2009-3153



1 "§432:1- Cost-based payments to critical access
2 hospitals and federally qualified health centers. (a) Mutual
3 benefit societies shall reimburse critical access hospitals as
4 defined in section 346D-1 at a rate not less than one hundred
5 and one per cent of costs, consistent with the medicare
6 reimbursement rate, for all services rendered to health plan
7 beneficiaries.

8 (b) Mutual benefit societies shall pay federally qualified
9 health centers as defined in Section 1905(1) of the Social
10 Security Act (42 U.S.C. 1396d) no less than their respective
11 prospective payment system rates determined pursuant to sections
12 346-53.6 to 346-53.64.

13 (c) Nothing in this section shall be construed to
14 determine a maximum amount that a mutual benefit society may pay
15 to a critical access hospital or federally qualified health
16 center for services to plan beneficiaries.

17 (d) The commissioner may adopt rules pursuant to chapter
18 91 to effectuate the purpose of this section. The commissioner
19 may require mutual benefit societies to annually demonstrate
20 compliance with this section, including validation of payment
21 rates in accordance with medicare interim rate letters.



1 The commissioner may require critical access hospitals and
 2 federally qualified health centers to provide information upon
 3 request to clarify, supplement, or rebut information supplied by
 4 a mutual benefit society; provided that the release of
 5 information by a critical access hospital or federally qualified
 6 health center shall be subject to the provisions of the Health
 7 Insurance Portability and Accountability Act of 1996."

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

11 "§432:2- **Cost-based payments to critical access**
 12 **hospitals and federally qualified health centers.** (a)
 13 Fraternal benefit societies shall reimburse critical access
 14 hospitals as defined in section 346D-1 at a rate not less than
 15 one hundred and one per cent of costs, consistent with the
 16 medicare reimbursement rate, for all services rendered to health
 17 plan beneficiaries.

18 (b) Fraternal benefit societies shall pay federally
 19 qualified health centers as defined in Section 1905(1) of the
 20 Social Security Act (42 U.S.C. 1396d) no less than their
 21 respective prospective payment system rates determined pursuant
 22 to sections 346-53.6 to 346-53.64.



1 (c) Nothing in this section shall be construed to
2 determine a maximum amount that a fraternal benefit society may
3 pay to a critical access hospital or federally qualified health
4 center for services to plan beneficiaries.

5 (d) The commissioner may adopt rules pursuant to chapter
6 91 to effectuate the purpose of this section. The commissioner
7 may require fraternal benefit societies to annually demonstrate
8 compliance with this section, including validation of payment
9 rates in accordance with medicare interim rate letters.

10 The commissioner may require critical access hospitals and
11 federally qualified health centers to provide information upon
12 request to clarify, supplement, or rebut information supplied by
13 a fraternal benefit society; provided that the release of
14 information by a critical access hospital or federally qualified
15 health center shall be subject to the provisions of the Health
16 Insurance Portability and Accountability Act of 1996."

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

20 "§432D- Cost-based payments to critical access
21 hospitals and federally qualified health centers. (a) Health
22 maintenance organizations other than government payors shall



1 reimburse critical access hospitals as defined in section 346D-1
2 at a rate not less than one hundred and one per cent of costs,
3 consistent with the medicare reimbursement rate, for all
4 services rendered to health plan beneficiaries.

5 (b) Health maintenance organizations other than government
6 payors shall pay federally qualified health centers as defined
7 in Section 1905(1) of the Social Security Act (42 U.S.C. 1396d)
8 no less than their respective prospective payment system rates
9 determined pursuant to sections 346-53.6 to 346-53.64.

10 (c) Nothing in this section shall be construed to
11 determine a maximum amount that a health maintenance
12 organization (other than a government payor) may pay to a
13 critical access hospital or federally qualified health center
14 for services to plan beneficiaries.

15 (d) The commissioner may adopt rules pursuant to chapter
16 91 to effectuate the purpose of this section. The commissioner
17 may require health maintenance organizations (other than
18 government payors) to annually demonstrate compliance with this
19 section, including validation of payment rates in accordance
20 with medicare interim rate letters.

21 The commissioner may require critical access hospitals and
22 federally qualified health centers to provide information upon



1 request to clarify, supplement, or rebut information supplied by
2 a health maintenance organization, other than a government
3 payor; provided that the release of information by a critical
4 access hospital or federally qualified health center shall be
5 subject to the provisions of the Health Insurance Portability
6 and Accountability Act of 1996.

7 (e) As used in this section:

8 "Government payor" means a state or federal government
9 entity that provides medical assistance in the form of
10 reimbursement to a health care provider for the cost of
11 providing health care to an enrollee, or a nongovernmental party
12 contracted by a government entity to do so."

13 SECTION 6. New statutory material is underscored.

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



Report Title:

Health Plan Payments; Critical Access Hospitals; Federally
Qualified Health Centers

Description:

Requires commercial health plans licensed to do business in the
State to pay no less than 101 per cent of costs for all services
provided to plan beneficiaries by critical access hospitals and
federally qualified health centers. Exempts limited benefit
health insurance policies from the minimum reimbursement
requirement. (SB1140 HD1)

