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# 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,  
14 including government payors, and limited benefit health  
15 insurance policy insurers, licensed to do business in this  
16 State, to reimburse critical access hospitals and federally  
17 qualified health centers at rates consistent with medicare and  
18 medicaid 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 shall reimburse critical access hospitals as defined in  
4 section 346D-1 at a rate not less than           per cent of  
5 costs, consistent with the medicare reimbursement rate for all  
6 services rendered to health plan beneficiaries.

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

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

16           (d) The commissioner may adopt rules pursuant to chapter  
17 91 to effectuate the purpose of this section. The commissioner  
18 may require health insurers to annually demonstrate compliance  
19 with this section, including validation of payment rates in  
20 accordance 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 insurer; provided that the release of information by a  
3 critical access hospital or federally qualified health center  
4 shall be subject to the provisions of the Health Insurance  
5 Portability and Accountability Act of 1996."

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

9 "§432:1- Cost-based payments to critical access  
10 hospitals and federally qualified health centers. (a) Mutual  
11 benefit societies shall reimburse critical access hospitals as  
12 defined in section 346D-1 at a rate not less than \_\_\_\_\_ per  
13 cent of costs, consistent with the medicare reimbursement rate,  
14 for all services rendered to health plan beneficiaries.

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

20 (c) Nothing in this section shall be construed to  
21 determine a maximum amount that a mutual benefit society may pay



1 to a critical access hospital or federally qualified health  
2 center for services to plan beneficiaries.

3 (d) The commissioner may adopt rules pursuant to chapter  
4 91 to effectuate the purpose of this section. The commissioner  
5 may require mutual benefit societies to annually demonstrate  
6 compliance with this section, including validation of payment  
7 rates in accordance with medicare interim rate letters.

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

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

18 "§432:2- Cost-based payments to critical access  
19 hospitals and federally qualified health centers. (a)  
20 Fraternal benefit societies shall reimburse critical access  
21 hospitals as defined in section 346D-1 at a rate not less than  
22 per cent of costs, consistent with the medicare



1 reimbursement rate, for all services rendered to health plan  
2 beneficiaries.

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

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

12 (d) The commissioner may adopt rules pursuant to chapter  
13 91 to effectuate the purpose of this section. The commissioner  
14 may require fraternal benefit societies to annually demonstrate  
15 compliance with this section, including validation of payment  
16 rates in accordance with medicare interim rate letters.

17 The commissioner may require critical access hospitals and  
18 federally qualified health centers to provide information upon  
19 request to clarify, supplement, or rebut information supplied by  
20 a fraternal benefit society; provided that the release of  
21 information by a critical access hospital or federally qualified



1 health center shall be subject to the provisions of the Health  
2 Insurance Portability and Accountability Act of 1996."

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

6 "§432D- Cost-based payments to critical access hospitals  
7 and federally qualified health centers. (a) Health maintenance  
8 organizations shall reimburse critical access hospitals as  
9 defined in section 346D-1 at a rate not less than per  
10 cent of costs, consistent with the medicare reimbursement rate,  
11 for all services rendered to health plan beneficiaries.

12 (b) Health maintenance organizations shall pay federally  
13 qualified health centers as defined in Section 1905(1) of the  
14 Social Security Act (42 U.S.C. 1396d) no less than their  
15 respective prospective payment system rates determined pursuant  
16 to sections 346-53.6 to 346-53.64.

17 (c) Nothing in this section shall be construed to  
18 determine a maximum amount that a health maintenance  
19 organization may pay to a critical access hospital or federally  
20 qualified health center for services to plan beneficiaries.

21 (d) The commissioner may adopt rules pursuant to chapter  
22 91 to effectuate the purpose of this section. The commissioner



1 may require health maintenance organizations to annually  
2 demonstrate compliance with this section, including validation  
3 of payment rates in accordance with medicare interim rate  
4 letters.

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

12 SECTION 6. New statutory material is underscored.

13 SECTION 7. This Act shall take effect on July 1, 2009.





**Report Title:**

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

**Description:**

Requires all health plans in the State, including government  
payors, to pay to critical access hospitals no less than %  
of costs for all services provided to plan beneficiaries, and to  
pay to federally qualified health centers no less than their  
respective prospective payment system rates. (SB1140 HD2)

