

STAND. COM. REP. NO. 1227

Honolulu, Hawaii

March 27, 2009

RE: S.B. No. 1140
S.D. 2
H.D. 2

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 1140, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH CARE,"

begs leave to report as follows:

The purpose of this bill is to require health plans other than government payors and limited benefit health insurance policy insurers to reimburse critical access hospitals and federally qualified health centers at rates consistent with medicare and medicaid reimbursement rates.

Specifically, this bill requires mutual and fraternal benefit societies, health maintenance organizations, and health plans other than government payors to pay:

- (1) Critical access hospitals no less than one hundred and one per cent of cost for services consistent with the medicare reimbursement rate; and
- (2) Federally qualified health centers no less than their respective prospective payment system rates.

The bill also:



- (1) Exempts accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policies;
- (2) Defines the term "government payor"; and
- (3) Allows the Insurance Commissioner to:
 - (A) Adopt rules;
 - (B) Require health insurers to annually demonstrate compliance; and
 - (C) Require critical access hospitals and federally qualified health centers to provide information provided that any release of information is subject to the Health Insurance Portability and Accountability Act of 1996.

Your Committee received testimony in support of this bill from the Department of Commerce and Consumer Affairs, Hawaii Health Systems Corporation, and Hawaii Primary Care Association. The Hawaii Association of Health Plans submitted testimony in opposition. The Hawaii Medical Service Association offered comments.

Your Committee finds that there needs to be parity in payment of reimbursement rates for critical access hospitals and federally qualified health centers by all health insurers in the State, including government payors. In addition, to further the goal of achieving parity in reimbursement rates, your Committee also finds that no exemptions should be extended to accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policies.

Accordingly, your Committee has amended this bill by:

- (1) Removing language that excludes government payors throughout the bill, including the definition of "government payor";
- (2) Removing language that exempts accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policies;



- (3) Changing the one hundred and one per cent reimbursement rate paid to critical access hospitals to an unspecified percentage for the purpose of facilitating further discussion; and
- (4) Changing the effective date to July 1, 2009.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1140, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as S.B. No. 1140, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



