
A BILL FOR AN ACT

RELATING TO HEALTH.

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

1 SECTION 1. Medicaid is a state program that provides
2 health care to certain low-income individuals and families. The
3 State sets the criteria for eligibility, determines the services
4 that are available, and administers the program. As with all
5 states, Hawaii's medicaid program is funded in large part by the
6 federal government.

7 The legislature finds that medicaid operates in partnership
8 with Hawaii's health care providers, as it does not directly
9 employ health care practitioners, but rather, pays health care
10 providers for services rendered to medicaid participants.

11 Prior to 1994, medicaid paid providers directly on a
12 fee-for-services basis. In 1994, Hawaii implemented the QUEST
13 program to provide health care to many medicaid participants
14 through a managed care approach. Under QUEST, the State
15 contracts with health care insurance plans to pay each plan a
16 capitated amount for each participant. The health plans in turn
17 pay the providers that deliver care to medicaid participants.



1 QUEST-Ex was implemented to provide care on a managed care
2 basis to the medicaid aged, blind, and disabled population. The
3 legislature finds that since QUEST-Ex began operating, health
4 care providers have experienced many cases of delayed payments
5 from health care plans contracting with the State. As a result
6 of these delays, many providers have experienced severe
7 financial difficulties that impact their ability to deliver
8 quality care.

9 The "clean claims" law under section 431:13-108, Hawaii
10 Revised Statutes, requires health plans to pay providers on a
11 timely basis when uncontested claims are submitted.
12 Specifically, the law requires payments to be made within thirty
13 days for clean claims submitted in writing, and within fifteen
14 days for clean claims submitted electronically. However, the
15 law contains an exemption for medicaid. As a result, health
16 plans contracted by the State under medicaid may delay payments
17 without penalty while health care providers are left to suffer.

18 The purpose of this Act is to repeal the exemption from the
19 clean claims law for health plans contracting with the State
20 under medicaid and to require the State to pay interest on
21 delayed payments, unless certain circumstances apply, and to
22 address the Medicaid shortfall with funds from the hurricane



1 reserve trust fund matched federally by the American Recovery
2 and Reinvestment Act. Further, the legislature acknowledges
3 that the outdated payment methodology utilized by the department
4 of human services does not comply with the national coding
5 standards. Thus, certain claims can only be processed manually.
6 In those situations, it is not the legislature's intent to
7 penalize those plans that must manually process claims for
8 reasons beyond their control.

9 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§103F- Medicaid payments. (a) The State shall pay a
13 health plan with which it has contracted under the State's
14 medicaid program according to the terms of the contract, or in
15 the absence of contracted language regarding timeliness of
16 payments, within the first fifteen days of each month but no
17 later than the last day of each month. If circumstances prevent
18 the State from complying with this section, the State shall pay
19 the health plan interest on any amounts remaining unpaid at a
20 rate equal to fifteen per cent per year, commencing on the day
21 after payment is due and ending on the date of payment.



1 (b) This section shall not apply in those cases where a
2 delay in payment is due to:

3 (1) A bona fide dispute between the State or any county
4 and the contracting health plan concerning the
5 services or goods contracted for;

6 (2) A labor dispute;

7 (3) A power or mechanical failure;

8 (4) Fire; or

9 (5) Acts of God.

10 (c) Accrual of interest shall be suspended automatically
11 if the entity's failure to pay a claim within the applicable
12 time limitations is the result of late payment to the entity by
13 the state or federal government for services provided to
14 beneficiaries of a government program."

15 SECTION 3. Chapter 346, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§346- Medicaid payments. (a) The State shall pay a
19 health plan with which it has contracted under the State's
20 medicaid program according to the terms of the contract, or in
21 the absence of contracted language regarding timeliness of
22 payments, within the first fifteen days of each month but no



1 later than the last day of each month. If circumstances prevent
2 the State from complying with this section, the State shall pay
3 the health plan interest on any amounts remaining unpaid at a
4 rate equal to fifteen per cent per year, commencing on the day
5 after payment is due and ending on the date of payment.

6 (b) This section shall not apply in those cases where a
7 delay in payment is due to:

8 (1) A bona fide dispute between the State or any county
9 and the contracting health plan concerning the
10 services or goods contracted for;

11 (2) A labor dispute;

12 (3) A power or mechanical failure;

13 (4) Fire; or

14 (5) Acts of God.

15 (c) Accrual of interest shall be suspended automatically
16 if the entity's failure to pay a claim within the applicable
17 time limitations is the result of late payment to the entity by
18 the state or federal government for services provided to
19 beneficiaries of a government program."

20 SECTION 4. Section 431:13-108, Hawaii Revised Statutes, is
21 amended by amending the definition of "clean claim" in
22 subsection (j) to read as follows:



1 "Clean claim" [~~means~~]:

2 (1) Means a claim in which the information in the
3 possession of an entity adequately indicates that:

4 ~~[(1)]~~ (A) The claim is for a covered health care service
5 provided by an eligible health care provider to a
6 covered person under the contract;

7 ~~[(2)]~~ (B) The claim has no material defect or impropriety;

8 ~~[(3)]~~ (C) There is no dispute regarding the amount claimed;
9 [and]

10 ~~[(4)]~~ (D) The payer has no reason to believe that the claim
11 was submitted fraudulently~~[-]~~; and

12 (E) The claim requires manual processing because it
13 does not comply with the most recent national
14 coding standards.

15 ~~[The term does]~~ (2) Does not include:

16 ~~[(1)]~~ (A) Claims for payment of expenses incurred during a
17 period of time when premiums were delinquent;

18 ~~[(2)]~~ (B) Claims that are submitted fraudulently or that
19 are based upon material misrepresentations; and

20 ~~[(3) Medicaid or Medigap claims; and~~

21 ~~-(4)]~~ (C) Claims that require a coordination of benefits,
22 subrogation, or preexisting condition



1 investigations, or that involve third-party
2 liability."

3 SECTION 5. Notwithstanding any provisions of chapter 431P,
4 Hawaii Revised Statutes, to the contrary, there is appropriated
5 out of the hurricane reserve trust fund the sum of \$
6 or so much thereof as may be necessary for fiscal year 2010-2011
7 to address the medicaid shortfall, including but not limited to,
8 reducing the number of months in the delay of payments to plans
9 and the providers of health care services, providing medicaid
10 coverage to Compact of Free Association migrants, and addressing
11 the increase in medicaid enrollment.

12 In addition to the appropriation authorized in this
13 section, the department of human services is authorized to
14 expend up to \$ or so much thereof as may be necessary
15 for fiscal year 2010-2011 in matching federal funds for the
16 purposes of this section acquired through the American Recovery
17 and Reinvestment Act. Should the federal government extend the
18 enhanced Federal medical assistance percentages funds, the
19 department of human services is authorized to expend \$
20 appropriated from the hurricane reserve trust fund and
21 \$ in matching federal funds provided through the
22 American Recovery and Reinvestment Act.



1 SECTION 6. The sum appropriated shall be expended by the
2 department of human services for the purposes of this Act.

3 SECTION 7. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect on July 1, 2010;
6 provided that section 4 shall take effect on January 1, 2011.



Report Title:

Medicaid; Health Insurance; Payment

Description:

Requires health insurers to promptly pay claims for services to medicaid recipients, by repealing the exemption for medicaid claims from the clean claims law. Requires the State to pay interest on delayed payments. Authorizes expenditures from the hurricane reserve trust fund and matching American Recovery and Reinvestment Act funds. Takes effect 7/1/2010.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

