
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 hurt by low
4 reimbursement rates, but rural hospital facilities and publicly
5 supported health centers that serve economically disadvantaged
6 persons are especially disadvantaged because of the high cost of
7 providing care in remote areas with low patient volume and of
8 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 states in improving access to essential health care
13 services.

14 Critical access hospitals and federally qualified health
15 centers serve consumers 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 Center 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 Hawaii 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, licensed to do business in this State,
15 to reimburse critical access hospitals and federally qualified
16 health centers at rates consistent with medicare and medicaid
17 reimbursement rates.

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

21 "§431:10A- Cost-based payments to critical access
22 hospitals and federally qualified health centers. (a) Health



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

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

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

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



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

9 (e) As used in this section:

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

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

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



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

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

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

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

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



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

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

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

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

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



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

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

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

18 **"§432D- Cost-based payments to critical access hospitals**
19 **and federally qualified health centers. (a) Health maintenance**
20 **organizations other than government payors shall reimburse**
21 **critical access hospitals as defined in section 346D-1 at a rate**
22 **not less than one hundred and one per cent of costs, consistent**



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

3 (b) Health maintenance organizations other than government
4 payors shall pay federally qualified health centers as defined
5 in section 1905(1) of the Social Security Act (42 USC 1396d) no
6 less than their respective prospective payment system rates
7 determined pursuant 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 health maintenance
10 organization other than a government payor may pay to a critical
11 access hospital or federally qualified health center for
12 services to plan beneficiaries.

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

20 The commissioner may require critical access hospitals and
21 federally qualified health centers to provide information as
22 requested by the commissioner to clarify, supplement, or rebut



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

6 (e) As used in this section:

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

12 SECTION 6. New statutory material is underscored.

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

14

INTRODUCED BY:



JAN 23 2009



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% of costs for all services
provided to plan beneficiaries by critical access hospitals and
federally qualified health centers.

