
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 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 USC 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 administrative rules
19 pursuant to chapter 91 to effectuate the purpose of this
20 section. The commissioner may require health insurers other
21 than government payors to annually demonstrate compliance with

1 this section, including validation of payment rates in
2 accordance with medicare interim rate letters.

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

11 (e) As used in this section:

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

17 (f) This section shall not apply to an accident-only,
18 specified disease, hospital indemnity, medicare supplement,
19 long-term care, or other limited benefit health insurance
20 policy."

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

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

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

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

20 (d) The commissioner may adopt administrative rules
21 pursuant to chapter 91 to effectuate the purpose of this
22 section. The commissioner may require mutual benefit societies

1 to annually demonstrate compliance with this section, including
2 validation of payment rates in accordance with medicare interim
3 rate letters.

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

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

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

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

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

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

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

1 provisions of the Health Insurance Portability and
2 Accountability Access 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 other than government payors shall reimburse
9 critical access hospitals as defined in section 346D-1 at a rate
10 not less than one hundred and one per cent of costs, consistent
11 with the medicare reimbursement rate, for all services rendered
12 to health plan beneficiaries.

13 (b) Health maintenance organizations other than government
14 payors shall pay federally qualified health centers as defined
15 in section 1905(l) of the Social Security Act (42 USC 1396d) no
16 less than their respective prospective payment system rates
17 determined pursuant to sections 346-53.6 to 346-53.64.

18 (c) Nothing in this section shall be construed to
19 determine a maximum amount that a health maintenance
20 organization other than a government payor may pay to a critical
21 access hospital or federally qualified health center for
22 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 health maintenance
4 organizations other than government payors to annually
5 demonstrate compliance with this section, including validation
6 of payment rates in accordance with medicare interim rate
7 letters.

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

16 (e) As used in this section:

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

22 SECTION 6. New statutory material is underscored.

1 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 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. (SD1)