
A BILL FOR AN ACT

RELATING TO INSURANCE.

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.



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

4 "§103F- Medicaid payments. (a) The State shall pay a
5 health plan with which it has contracted under the State's
6 medicaid program according to the terms of the contract. If
7 circumstances prevent the State from complying with this
8 section, the State shall pay the health plan interest on any
9 amounts remaining unpaid at a rate equal to fifteen per cent per
10 year, commencing on the day after payment is due and ending on
11 the date of payment.

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

14 (1) A bona fide dispute between the State or any county
15 and the contracting health plan concerning the
16 services or goods contracted for;

17 (2) A labor dispute;

18 (3) A power or mechanical failure;

19 (4) Fire; or

20 (5) Acts of God.

21 (c) Accrual of interest shall be suspended automatically
22 if the entity's failure to pay a claim within the applicable



1 time limitations is the result of late payment to the entity by
2 the state or federal government for services provided to
3 beneficiaries of a government program."

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

7 "§346- Medicaid payments. (a) The State shall pay a
8 health plan with which it has contracted under the State's
9 medicaid program according to the terms of the contract. If
10 circumstances prevent the State from complying with this
11 section, the State shall pay the health plan interest on any
12 amounts remaining unpaid at a rate equal to fifteen per cent per
13 year, commencing on the day after payment is due and ending on
14 the date of payment.

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

17 (1) A bona fide dispute between the State or any county
18 and the contracting health plan concerning the
19 services or goods contracted for;

20 (2) A labor dispute;

21 (3) A power or mechanical failure;

22 (4) Fire; or



1 (5) Acts of God.

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

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

10 ""Clean claim" [means]:

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

13 [~~1~~] (A) The claim is for a covered health care service
14 provided by an eligible health care provider to a
15 covered person under the contract;

16 [~~2~~] (B) The claim has no material defect or impropriety;

17 [~~3~~] (C) There is no dispute regarding the amount claimed;
18 and

19 [~~4~~] (D) The payer has no reason to believe that the claim
20 was submitted fraudulently.

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



1 [~~(1)~~] (A) Claims for payment of expenses incurred during a
2 period of time when premiums were delinquent;
3 [~~(2)~~] (B) Claims that are submitted fraudulently or that
4 are based upon material misrepresentations; and
5 [~~(3)~~] ~~Medicaid or Medigap claims; and~~
6 [~~(4)~~] (C) Claims that require a coordination of benefits,
7 subrogation, or preexisting condition
8 investigations, or that involve third-party
9 liability."

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act shall take effect on July 1, 2050.

13



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. Takes effect July 1, 2050. (SD2)

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