
A BILL FOR AN ACT

RELATING TO NONGOVERNMENT HEALTH PLAN PAYMENTS TO CRITICAL ACCESS
HOSPITALS AND FEDERALLY QUALIFIED HEALTH CENTERS.

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 components of
3 the State's health care system. Low reimbursement rates
4 together with high health care costs have caused a financial
5 crisis for the rural hospital facilities and federally qualified
6 health centers that affect the quality of health care patients
7 receive.

8 In response, the federal government enacted two measures
9 that specifically support rural hospitals and federally
10 qualified health centers. The first measure is the medicare
11 rural hospital flexibility program, a national program designed
12 to assist states and rural communities in improving access to
13 essential health care services through the establishment of
14 limited service hospitals and rural health networks. The
15 program creates the critical access hospital as a limited
16 service hospital eligible for medicare certification and
17 reimbursement, and supports the development of rural health

1 networks consisting of critical access hospitals, acute general
2 hospitals, and other health care providers. The second measure
3 established federally qualified health centers as a category of
4 provider that specializes in comprehensive primary health care
5 for underserved communities. Among the mandated provisions for
6 federally qualified health centers is cost-related reimbursement
7 for medicaid and medicare services.

8 Section 346D-1, Hawaii Revised Statutes, defines "critical
9 access hospital" as a hospital located in the State that is
10 included in Hawaii's rural health plan approved by the federal
11 Health Care Financing Administration and approved as a critical
12 access hospital by the department of health as provided in
13 Hawaii's rural health plan and as defined in 42 U.S.C. section
14 1395i-4.

15 The United States Department of Health and Human Services
16 Centers for Medicare and Medicaid Services, the successor
17 organization to the Health Care Financing Administration, pays
18 critical access hospitals on the basis of one hundred and one
19 per cent of costs for acute care inpatients and outpatient
20 services. The department of human services calculates payments
21 to critical access hospitals on a cost basis for acute inpatient
22 and long-term care services to beneficiaries of the medicaid

1 program. Federally qualified health centers, as defined in
2 section 1905(1) of the Social Security Act (42 U.S.C. 1396 et
3 seq.), are paid for medicaid services through a prospective
4 payment system methodology based on average costs in 1999 and
5 2000, adjusted annually according to the medical economic index.

6 The purpose of this Act is to enhance the federal medicare
7 rural hospital flexibility program and federally qualified
8 health centers by requiring health plans other than government
9 payers licensed to do business in Hawaii, including but not
10 limited to health maintenance organizations, insurers, nonprofit
11 hospital and medical service corporations, mutual benefit
12 societies, and other entities responsible for the payment of
13 benefits or provision of services under a group contract, to
14 reimburse critical access hospitals at one hundred and one per
15 cent of costs, consistent with medicare, and to reimburse
16 federally qualified health centers at prospective payment system
17 rates.

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

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

1 Any other law to the contrary notwithstanding and except for
2 government payers, each employer group health policy, contract,
3 plan, or agreement that is issued, amended, or renewed in this
4 State after December 31, 2009, shall pay:

5 (1) Critical access hospitals, as defined in section
6 346D-1, no less than one hundred and one per cent of
7 costs, consistent with medicare, for all services
8 rendered to health plan beneficiaries; and

9 (2) Federally qualified health centers no less than their
10 respective prospective payment system rates.

11 (b) The insurance commissioner may adopt rules in
12 accordance with chapter 91 to require health insurers other than
13 government payers to demonstrate compliance annually with this
14 section, including but not limited to validation of payment
15 rates in line with medicare interim rate letters. Nothing in
16 this section shall set a maximum for the amount a health insurer
17 other than a government payer may pay a critical access hospital
18 or federally qualified health center for services provided to
19 plan beneficiaries. Critical access hospitals and federally
20 qualified health centers shall provide all information as
21 requested by the insurance commissioner to clarify, supplement,

1 or rebut information supplied by a health insurer other than a
2 government payer."

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

6 **"§432:1- Cost-based payments to critical access**
7 **hospitals and federally qualified health centers; rules.** (a)
8 Any other law to the contrary notwithstanding, each individual
9 and group hospital or medical service plan, policy, contract, or
10 agreement issued, amended, or renewed in this State after
11 December 31, 2009, by a mutual benefit society shall pay:

12 (1) Critical access hospitals, as defined in section
13 346D-1, no less than one hundred and one per cent of
14 costs, consistent with medicare, for all services
15 provided to members; and

16 (2) Federally qualified health centers, as defined in
17 section 1905(1) of the Social Security Act (42 U.S.C.
18 1396 et seq.) no less than their respective
19 prospective payment system rates.

20 (b) The insurance commissioner may adopt rules in
21 accordance with chapter 91 to require mutual benefit societies
22 to demonstrate compliance annually with this section, including

1 but not limited to validation of payment rates in line with
2 medicare interim rate letters. Nothing in this section shall
3 set a maximum for the amount a mutual benefit society may pay a
4 critical access hospital or federally qualified health center
5 for services to members. Critical access hospitals and
6 federally qualified health centers shall provide all information
7 as requested by the insurance commissioner to clarify,
8 supplement, or rebut information supplied by a mutual benefit
9 society."

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

13 **"§432:2- Cost-based payments to critical access**
14 **hospitals and federally qualified health centers; rules. (a)**
15 Any other law to the contrary notwithstanding, each individual
16 and group hospital or medical service plan, policy, contract, or
17 agreement issued, amended, or renewed in the State after
18 December 31, 2009, by a fraternal benefit society shall pay:

19 (1) Critical access hospitals, as defined in section
20 346D-1, no less than one hundred and one per cent of
21 costs, consistent with medicare, for all services
22 provided to members; and

1 (2) Federally qualified health centers, as defined in
2 section 1905(1) of the Social Security Act (42 U.S.C.
3 1396 et seq.) no less than their respective
4 prospective payment system rates.

5 (b) The insurance commissioner may adopt rules in
6 accordance with chapter 91 to require fraternal benefit
7 societies to demonstrate compliance annually with this section,
8 including but not limited to validation of payment rates in line
9 with medicare interim rate letters. Nothing in this section
10 shall set a maximum for the amount a fraternal benefit society
11 may pay a critical access hospital or federally qualified health
12 center for services to members. Critical access hospitals and
13 federally qualified health centers shall provide all information
14 as requested by the insurance commissioner to clarify,
15 supplement, or rebut information supplied by a fraternal benefit
16 society."

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

20 "§432D- Cost-based payments to critical access hospitals
21 and federally qualified health centers; rules. (a) Any other
22 law to the contrary notwithstanding, each policy, contract,

1 plan, or agreement issued, amended, or renewed in the State
2 after December 31, 2009, by a health maintenance organization
3 pursuant to this chapter shall pay:

4 (1) Critical access hospitals, as defined in section
5 346D-1, no less than one hundred and one per cent of
6 costs, consistent with medicare, for all services
7 provided to members; and

8 (2) Federally qualified health centers, as defined in
9 section 1905(1) of the Social Security Act (42 U.S.C.
10 1396 et seq.) no less than their respective
11 prospective payment system rates.

12 (b) The insurance commissioner may adopt rules in
13 accordance with chapter 91 to require health maintenance
14 organizations to demonstrate compliance annually with this
15 section, including but not limited to validation of payment
16 rates in line with medicare interim rate letters. Nothing in
17 this section shall set a maximum for the amount a health
18 maintenance organization may pay a critical access hospital or
19 federally qualified health center for services to members.
20 Critical access hospitals and federally qualified health centers
21 shall provide all information as requested by the insurance

1 commissioner to clarify, supplement, or rebut information
2 supplied by a health maintenance organization."

3 SECTION 6. New statutory material is underscored.

4 SECTION 7. This Act shall take effect upon its approval.

Report Title:

Critical Care Access Hospitals; Federally Qualified Health Centers

Description:

Requires health plans other than government payers, mutual and fraternal benefit societies, and health maintenance organizations to pay: (1) critical access hospitals no less than 101% of costs for services; and (2) federally qualified health centers no less than their respective prospective payment system rates. (SD1)