
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 the contribution of
2 rural hospitals and federally qualified health centers is essential
3 for the health care of the State. All health care providers are
4 hurt by reimbursement trends and rural hospital facilities and
5 federally qualified health centers are especially hurt. The former
6 serves a low volume of patients but incurs high costs to provide care
7 in remote areas and the latter cares for underserved populations with
8 complex health and socio-economic needs.

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



1 health 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 for
5 underserved communities. Among the mandated provisions for federally
6 qualified health centers is cost-related reimbursement for medicaid and
7 medicare services.

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

16 The Centers for Medicare and Medicaid Services pays
17 critical access hospitals on the basis of one hundred and one
18 per cent of costs for acute care inpatients and outpatient
19 services. The department of human services calculates payments
20 to critical access hospitals on a cost basis for acute inpatient
21 and long-term care services to beneficiaries of the medicaid
22 program. Federally qualified health centers as defined in



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

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

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

20 "§431:10A- Cost-based payments to critical access
21 hospitals and federally qualified health centers; rules. (a)
22 Any other law to the contrary notwithstanding, each employer



1 group health policy, contract, plan, or agreement other than
2 government payers, issued, amended, or renewed in this State
3 after December 31, 2009, shall pay:

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

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

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



1 SECTION 3. Chapter 432, Hawaii Revised Statutes, is amended
2 by adding a new section to article 1 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; rules. (a)

6 Any other law to the contrary notwithstanding, each individual
7 and group hospital or medical service plan, policy, contract, or
8 agreement issued, amended, or renewed in this State after
9 December 31, 2009, by mutual benefit societies shall pay:

10 (1) Critical access hospitals, as defined in section 346D-
11 1, no less than one hundred and one per cent of costs,
12 consistent with medicare, for all services provided to
13 members; and

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

18 (b) The insurance commissioner may adopt rules in
19 accordance with chapter 91 to require mutual benefit societies
20 to demonstrate compliance annually with this section, including
21 but not limited to validation of payment rates in line with
22 medicare interim rate letters. Nothing in this section shall



1 set a maximum for the amount a mutual benefit society may pay a
 2 critical access hospital or federally qualified health center
 3 for services to members. Critical access hospitals and
 4 federally qualified health centers shall provide all information
 5 as requested by the insurance commissioner to clarify,
 6 supplement, or rebut information supplied by a mutual benefit
 7 society."

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

11 "§432:2- _____ Cost-based payments to critical access
 12 hospitals and federally qualified health centers; rules. (a)
 13 Any other law to the contrary notwithstanding, each individual
 14 and group hospital or medical service plan, policy, contract, or
 15 agreement issued, amended, or renewed in the State after
 16 December 31, 2009, by fraternal benefit societies shall pay:

17 (1) Critical access hospitals, as defined in section 346D-
 18 1, no less than one hundred and one per cent of costs,
 19 consistent with medicare, for all services provided to
 20 members; and

21 (2) Federally qualified health centers, as defined in
 22 section 1905(1) of the Social Security Act (42 U.S.C.



1 1396 et seq.) no less than their respective
2 prospective payment system rates.

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

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
19 hospitals and federally qualified health centers; rules. (a)
20 Any other law to the contrary notwithstanding, each policy,
21 contract, plan, or agreement issued, amended, or renewed in the



1 State after December 31, 2009, by health maintenance

2 organizations pursuant to this chapter shall pay:

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

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

11 (b) The insurance commissioner may adopt rules in
12 accordance with chapter 91 to require health maintenance
13 organizations 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
17 maintenance organization may pay a critical access hospital or
18 federally qualified health center for services to members.
19 Critical access hospitals and federally qualified health centers
20 shall provide all information as requested by the insurance
21 commissioner to clarify, supplement, or rebut information
22 supplied by a health maintenance organization."



1 SECTION 6. New statutory material is underscored.

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

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INTRODUCED BY:

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JAN 23 2009



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.

