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# 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 United States Code Section 1395i-4. The U.S.  
14 Department of Health and Human Services Centers for Medicare and  
15 Medicaid Services is the successor organization to the Health Care  
16 Financing Administration.

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



1 Federally qualified health centers as defined in Section 1905(1)  
2 of the Social Security Act (42 United States Code 1396 et seq.)  
3 are paid for medicaid services through a prospective payment  
4 system methodology based on average costs in 1999 and 2000,  
5 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 center program by requiring health plans other than  
9 government payers licensed to do business in Hawaii, including  
10 but not limited to health maintenance organizations, insurers,  
11 nonprofit hospital and medical service corporations, mutual  
12 benefit societies, and other entities responsible for the  
13 payment of benefits or provision of services under a group  
14 contract, to reimburse critical access hospitals at one hundred  
15 and one per cent of costs, consistent with medicare, and to  
16 reimburse federally qualified health centers at prospective  
17 payment system 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, each employer  
2 group health policy, contract, plan, or agreement other than  
3 government payers, issued, amended, or renewed in this State  
4 after December 31, 2009, shall pay:

5 (1) Critical access hospitals, as defined in section 346D-  
6 1, no less than one hundred and one per cent of costs,  
7 consistent with medicare, for all services rendered to  
8 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 mutual benefit societies shall pay:

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

16 (2) Federally qualified health centers, as defined in  
17 Section 1905(1) of the Social Security Act (42 United  
18 States Code 1396 et seq.) no less than their  
19 respective 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 fraternal benefit societies shall pay:

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



1       (2) Federally qualified health centers, as defined in  
2       Section 1905(1) of the Social Security Act (42 United  
3       States Code 1396 et seq.) no less than their  
4       respective 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  
21       hospitals and federally qualified health centers; rules. (a)  
22       Any other law to the contrary notwithstanding, each policy,



1 contract, plan, or agreement issued, amended, or renewed in the  
2 State after December 31, 2009, by health maintenance  
3 organizations pursuant to this chapter 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 provided to  
7 members; and

8 (2) Federally qualified health centers, as defined in  
9 Section 1905(1) of the Social Security Act (42 United  
10 States Code 1396 et seq.) no less than their  
11 respective 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 on July 1, 2020.



**Report Title:**

Critical Care Access Hospitals; Federally Qualified Health Centers

**Description:**

Requires mutual and fraternal benefit societies, health maintenance organizations, and health plans other than government payers 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. (HB700 HD1)

