

STAND. COM. REP. NO.

2310

Honolulu, Hawaii

FEB 12 2010

RE: S.B. No. 2598  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Human Services, to which was referred S.B. No. 2598 entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to repeal the exemption from the clean claims law for health plans contracting with the State under its Medicaid program.

Testimony in support of this measure was submitted by the Healthcare Association of Hawaii, Hawaii Medical Service Association (HMSA), and Hawai'i Primary Care Association. Comments on this measure were submitted by the Department of Human Services. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that Medicaid is vital to the health of many low-income individuals and families, and that the State has contracted with several health care providers to deliver services to these recipients. Your Committee also finds that many of the health care plans are now experiencing long delays in payments from the State, and consequently must delay payments to doctors, hospitals, and those ultimately providing the service. This measure will provide an incentive for the State to make timely payments to health plans under contract with the State for its Medicaid program.



Your Committee further finds that there is a significant shortfall in Medicaid funds to meet the growing enrollment in the program by families and individuals in need. The Department of Human Services is contemplating a potential four month delay in payments to health care plans. The estimated amount of funds this delay would equate to is approximately \$400,000,000. This delay in payment to health care plans would impact payment to health care providers and ultimately will negatively impact patient care and access to health care.

In addition, the Department of Human Services anticipates implementing a program called Basic Health Hawaii, which would incur additional costs to start up this new program beginning July 1, 2010.

Further, the Department of Health intends to transfer behavioral health clients currently under their responsibility to the Department of Human Services QUEST and QUEST Expanded programs by March 1, 2010, which will exacerbate the Medicaid shortfall even further.

Your Committee additionally finds that it is not good business practice to delay payments for such long periods of time with no consequences as the delays have a negative ripple effect on the provision and accessibility of health care. In this regard, your Committee believes that further incentive is required to ensure timely payments. Your Committee additionally finds that ensuring that healthcare providers get paid promptly is an important element in retaining physicians in the State of Hawaii. There are currently many deterrents for doctors here, including the high cost of malpractice insurance and the lack of support from the healthcare plans. Prompt payments to these doctors is an incentive for doctors to continue to practice in the State, which has a positive effect on jobs and the local economy. This measure, as amended, would address, in part, the significant Medicaid shortfall and is intended to mitigate the negative economic impacts on the most vulnerable people in the State.

Accordingly, your Committee has amended this measure by requiring the State to pay interest on delayed payments, unless certain circumstances apply. Your Committee has also changed the effective date to provide for further discussion of the issue and has made technical, nonsubstantive stylistic changes for purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2598, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2598, S.D. 1, and be referred to the Committee on Commerce and Consumer Protection.

Respectfully submitted on  
behalf of the members of the  
Committee on Human Services,

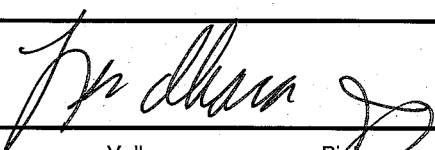
*Suzanne Chun Oakland*

SUZANNE CHUN OAKLAND, Chair



The Senate  
 Twenty-Fifth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Human Services**  
**HMS**

Bill / Resolution No.:* <b>SB 2598</b>	Committee Referral: <b>HMS, CPN</b>	Date: <b>2/9/10</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	✓			
IHARA, Jr., Les (VC)	✓			
GREEN, M.D., Josh	✓			
HEMMINGS, Fred				✓
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes