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February 18, 2010

MEMORANDUM

TO: Honorable Robert N. Herkes, Chair
House Committee on Consumer Protection & Commerce

Honorable Jon Riki Karamatsu, Chair
House Committee on Judiciary

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2087– RELATING TO HEALTH**

Hearing: Thursday, February 18, 2010, 2:00 P.M.
Conference Room 325, State Capitol

PURPOSE: The purpose of this bill is to exempt QUEST plans from paying interest under the clean claims act when delays are due to non-payment by government payers to QUEST plans.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectively opposes this bill. By waiving the interest requirement, this bill will increase the incentive for health plans not to pay providers which could create an access problem for Medicaid patients.

DHS understands the implications to a contracted health plan if capitated monthly payments by DHS to the health plan are delayed. Health plans may need to

access their reserves. In order to be licensed, a health plan is required to have funds in reserve in the unexpected event of a period in which expenditures exceed revenue to enable the health plan to continue paying their network providers and medical care for patients can continue without interruption to its members. The DHS contracted health plans are facing such a situation.

While a health plan might decide not to utilize its reserve and stop payments to providers in its network, this could have a negative impact on Medicaid patients. It is the responsibility of the health plans to ensure timely access to quality health care for Medicaid patients. And it is the responsibility of DHS to ensure that the health plans meet this responsibility.

DHS is currently working on options to not have to defer health plan payments for April and, instead, defer the May payment for six weeks to July and defer the June payment for one week to July, which is exactly what was done last year without causing any break in services to Medicaid patients.

Thank you for the opportunity to provide testimony on this bill.



February 18, 2010
2:00pm
Conference room 325

To: Rep. Robert Herkes, Chair
Rep. Glenn Wakai, Vice-Chair
House Committee on Consumer Protection & Commerce

Rep. Jon Riki Karamatsu, Chair
Rep. Ken Ito, Vice Chair
House Committee on Judiciary

From: Paula Arcena
Director of Public Policy

Re: HB2087 Relating to Insurance (Exempting QUEST plans from paying interest under the clean claims act when delays are due to non-payment by government payers to QUEST plans.)

Thank you for the opportunity to offer our comments on HB2087.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program started in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 70,000 QUEST enrollees statewide.

As you are aware, DHS informed all its Medicaid health plans it will delay payments for at least three months starting April 2010 in order to prevent a \$84-\$100 million deficit at the end of the 2010 fiscal year. This will remove a total of approximately \$300 million in state and federal funding from Hawaii's health care delivery system.

We are please that this bill acknowledges that health plans should not be penalized for delayed payments to providers caused by the lack of payment from the state or federal governments.

We would like to suggest that the bill be amended to require that the Department of Human Services include in its contracts for health plan services for Medicaid, a provision that requires
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timely payments from the state to the plan. Current contracts are silent on such terms and requests by AlohaCare to include them have been denied. We believe it is reasonable for health plan contracts with the state for Medicaid programs is reasonable and makes the state a more reliable and sound business partner.

AlohaCare continues to participate in stakeholder discussions about this and other legislation related to the clean claims act to find consensus.

Thank you for this opportunity to testify.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Robert Herkes, Chair

HOUSE COMMITTEE ON JUDICIARY
Rep. Jon Riki Karamatsu, Chair

Conference Room 325
Feb. 18, 2010 at 2:00 p.m.

Comments on HB 2087.

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to comment on HB 2087, which exempts Quest health plans from the clean claims act provision that requires the plans to pay interest on delayed payments to health care providers in those cases where the State or federal government delays payment to the health plans.

The intent of the bill is understandable, but it creates only half a solution to a problem. Although this bill prevents the Medicaid plans from being shortchanged, it does not prevent the same from happening to providers. When providers are finally paid, they will not be compensated for any delays in payment. Currently, tens of millions of dollars in unpaid claims have been reported by members of the Healthcare Association. The lack of payment reduces working capital, which impacts the ability of the provider to pay salaries and purchase supplies and equipment. Fortunately, there is another approach to the problem.

The Healthcare Association proposes a complete solution in HB 2208 HD 1. The State has contracted with health plans to provide care to Medicaid recipients, and the State should honor those contracts. When the State delays payments to the plans, HB 2208 HD 1 imposes 15% interest on the late payments. The bill also repeals the exemption from the clean claims act for Medicaid plans. Compliance with the clean claims act would require Medicaid plans to pay 15% interest on delayed payments to the plans. Thus, there are links from payments from the State to the plans, and from the plans to the providers.

The Healthcare Association has discussed HB 2208 HD 1 with Medicaid health plans. They are concerned that they will not be able to comply with the clean claims act because some of their claims are still being processed as paper claims. When these paper claims are incorporated into the computerized claims system, processing will be expedited. The Healthcare Association has submitted testimony on the bill suggesting an effective date of July 1, 2011.

Thank you for the opportunity to comment on HB 2087.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

February 18, 2010

The Honorable Robert Herkes, Chair
The Honorable Jon Riki Karamatsu, Chair
House Committees on Consumer Protection and Commerce and Judiciary

Re: HB 2087 – Relating to Health

Dear Chair Herkes, Chair Karamatsu and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2087 which would exempt penalty payments for QUEST plans when delays are due to non-payment by a state or federal government payer.

As you are aware, recently the Department of Human Services (DHS) stated that due to budgetary shortfalls, they will delay payments to contracted QUEST plans, beginning in April and extending through June. While we understand the budgetary restrictions the State is facing, DHS' decision significantly impacts a health plan's ability to pay for services in the timeframes noted in this measure. This has caused great concern, not only for the QUEST plans, but for our members and participating providers as well. This measure is intended to protect participating QUEST plans once the state begins to delay payments.

We are very interested in working with the other affected stakeholders. In fact, we have been meeting to determine if there is common ground on how best to deal with delayed payments since it will have a tremendous impact on the entire health care system. We appreciate the legislature's support during these difficult times and hope that the affected parties can come to an agreement on the best course of action.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President
Government Relations

Testimony of
John M. Kirimitsu
Legal and Government Relations Consultant

Before:
House Committee on Consumer Protection & Commerce
The Honorable Robert N. Herkes, Chair
The Honorable Glen Wakai, Vice Chair

and

House Committee on Judiciary
The Honorable Jon Riki Karamatsu, Chair
The Honorable Ken Ito, Vice Chair

February 18, 2010
2:00 pm
Conference Room 325

Re: HB 2087 Relating to Health

Chairs, Vice Chairs and committee members, thank you for this opportunity to provide testimony on this bill relating to health.

Kaiser Permanente supports this bill.

Although Kaiser Permanente has no concerns that it will not be able to continue to pay its clean claims in a timely manner under the clean claims law, Kaiser Permanente supports this bill's efforts to mitigate the financial burden on the health plans due to the State's delay in payment.

Kaiser Permanente remains committed in honoring its payment obligations to its Medicaid providers, and appreciates this measure to avoid any increase in the financial impact on the health plans in covering the State's Medicaid shortfalls.

Naturally, the State's delay in payments will result in health plans covering the deficit through their own financial reserves. It makes no sense to further penalize these health plans by forcing them to pay interest on top of the financial crises it will face due to reduced cash flow from the State.

Thank you for your consideration.

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February 18, 2010

To: The Honorable Robert N. Herkes
Chair, House Committee on Consumer Protection and Commerce

The Honorable Jon Riki Karamatsu
Chair, House Committee on Judiciary

From: 'Ohana Health Plan

Re: House Bill 2087-Relating to Health

Hearing: Thursday, February 18, 2010, 2:00 p.m.
Hawai'i State Capitol, Room 325

'Ohana Health Plan (OHP) is a health plan offered by WellCare Health Insurance of Arizona, Inc. WellCare is a leading provider of managed care services dedicated to government-sponsored health care programs, focusing on Medicaid and Medicare. We operate a variety of health plans for families, children, the aged, blind or disabled as well as prescription drug plans and private fee-for-service plans. Our local team of 150 Hawai'i residents have been serving approximately 22,500 low-income, aged, blind, and disabled clients through the QUEST Expanded Access (QExA) program since February 1, 2009.

We appreciate this opportunity to submit our comments in strong support of House Bill 2087-Relating to Health.

'Ohana Health Plan (OHP) is one of the five health care plans contract under the QUEST program through the Department of Human Services (DHS). As a new plan, operating largely with the support of government funding from the State of Hawai'i, we are deeply concerned about the potential for a three to four month payment deferral. This deferral may significantly impact our ability to pay our contracted providers in a timely manner and could cause a disruption in services to our members, which are low-income, aged, blind and disabled residents of our State. As a contracted provider of services for the State of Hawai'i, we take out federally mandated responsibility to make covered services available and accessible through a sufficient delivery network very seriously.

We greatly appreciate this measure that would exempt QUEST plans from paying interest under the clean claims act when delays are due to non-payment by government payers to QUEST plans. This legislation would alleviate us from the additional financial burden of late interest payments, but we remain concerned with the larger issue regarding our ability to compensate our direct service providers in a timely manner, thus ensuring our ability to serve our most vulnerable members' health needs.

We respectfully request that this committee pass this measure as a contingency plan should the DHS choose to move forward with their proposal to defer payment to the health care plans contracted under QUEST. Moreover, we would appreciate your assistance in securing additional funding for the HMS 401 budget in order to avoid the DHS payment deferral option. Thank you for the opportunity to provide these comments regarding House Bill 2087.