

# HMSA



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March 9, 2010

The Honorable Suzanne Chun Oakland, Chair  
The Honorable Rosalyn Baker, Chair  
Senate Committees on Human Services and Commerce and Consumer Protection

**Re: HB 2087 HD1 Proposed SD1 – Relating to Health**

Dear Chair Chun Oakland, Chair Baker and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 2087 HD1 Proposed SD1 which would require the Department of Human Services (DHS) pay QUEST health plans, exempt penalty payments for QUEST plans when delays are due to non-payment by a state or federal government payer and provide an unspecified amount of funding from the Hurricane Trust Fund. We support the intent of this measure.

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. 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 appreciate the section in the measure clarifying that plans would be exempt from paying interest on late claims in instances where payment from either the state or federal government is delayed as well as the language requiring DHS to pay QUEST plans for services provided. We do believe however that as currently drafted this language would be ineffective since QUEST contracts in place at this time do not contain terms under which the State must pay plans. Currently DHS, when paying QUEST plans, pays for services within a month, prior to the end of that month and typically by the third week of that month. For example, we would receive payment for January by the 21<sup>st</sup> of January. In order to ensure that QUEST plans are paid within a month we would suggest the following language be added to the proposed draft to ensure that the spirit with which it is drafted is maintained.

**"§346- Medicaid payments. (a) The State shall pay a health plan with which it has contracted under the State's medicaid program according to the terms of the contract or in the absence of contracted language regarding timeliness of payments, within the first fifteen days of each month but no later than the last day of each month. If circumstances prevent the State from complying with this section, the State shall pay the health plan interest on any amounts remaining unpaid at a rate equal to fifteen per cent per year, commencing on the day after which payment was due and ending on the date of payment.**

**(b) This section shall not apply in those cases where a delay in payment is due to:**

(1) A bona fide dispute between the State, any of its political subdivisions, or the federal government and the contracting health plan concerning the services or goods contracted for;

(2) A labor dispute;

(3) A power or mechanical failure;

(4) Fire; or

(5) Acts of God."

Since DHS announced the difficulty it was facing in funding QUEST plans, all of the stakeholders affected by this issue have come together to work towards a common goal in an unprecedented manner. We believe that the relationships fostered by working through this crisis will continue to exist once this has passed and will ultimately benefit Hawaii's entire health care system.

We look forward to working together as a community to continue the dialogue on the best way to ensure the viability of our safety net. We know that we will continue to strive towards finding workable solutions for problems the state's Medicaid system is facing today.

Thank you for the opportunity to testify today.

Sincerely,



Jennifer Diesman  
Vice President  
Government Relations