

JAN 20 2012

A BILL FOR AN ACT

RELATING TO MEDICAID.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In 2007, the State transitioned its fee-for-
2 service medicaid program for beneficiaries who are sixty-five
3 years or older and disabled of all ages, to a managed care
4 program named QUEST expanded access. The stated goals of QUEST
5 expanded access include reduced fragmentation, improved quality,
6 and reduced cost of care provided by the program. In addition,
7 the program is intended to be fiscally predictable, stable, and
8 sustainable to ensure access to high quality and cost-effective
9 care for its approximately thirty-nine thousand beneficiaries.

10 QUEST expanded access is administered by the department of
11 human services and health plan administrative services are
12 contracted to private managed care health insurers.

13 Beneficiaries of the QUEST expanded access program are low-
14 income persons who typically have multiple medical conditions
15 and require care from multiple providers. The annual budget of
16 QUEST expanded access is approximately \$500,000,000. The
17 contracts with the private health insurers who now manage



1 enrollee care represent two of the largest service contracts
2 ever issued by the State.

3 The legislature finds that UnitedHealth Group and WellCare
4 Health Plans, Inc., which operate in the State as Evercare and
5 Ohana Health Plan, respectively, are the only insurers the
6 department of human services contracted with to provide managed
7 care services for the QUEST expanded access program. Both
8 Evercare and Ohana Health Plan are private, for-profit health
9 plans based on the mainland.

10 At the time of the procurement for the QUEST expanded
11 access contracts, there were many concerns expressed by the
12 health care community and state and national policymakers about
13 the wisdom of hiring the for-profit companies, with their
14 primary loyalty to their shareholders, for services
15 traditionally performed in Hawaii by non-profit, local insurance
16 plans. Among those who questioned the policy was then-
17 Congressman Neil Abercrombie, who expressed concern about jobs
18 being removed from the State, in addition to the financial
19 transactions necessary to attract for-profit companies and the
20 lack of knowledge of Hawaii's unique population, lack of support
21 from providers, and ability of mainland entities to provide
22 effective customer service.



1 Throughout QUEST expanded access' history, enrollees,
2 advocates, and health care providers have raised frequent
3 complaints about the program and have expressed serious concern
4 that QUEST expanded access is failing to meet its stated goals.
5 For example, QUEST expanded access has been criticized for
6 denying important services requested by patients and their
7 doctors, denying payment to providers for covered goods and
8 services, late payments to providers, and imposing a high degree
9 of administrative burden on providers. The plans were also
10 unable to perform the services for the price of their original
11 bids, and were granted a large increase in fees in 2010 without
12 the department of human services rebidding the contract.

13 Unfavorable opinion of Evercare and Ohana Health Plan by
14 providers has been verified by regular surveys conducted on
15 behalf of the department of human services. Evercare and Ohana
16 Health Plan have been criticized for having problems that
17 compromise the continuity and quality of QUEST expanded access
18 care, among them, difficulty receiving authorization for
19 medication, inadequacies in physician provider lists, lack of
20 service coordination, communication lapses, and considerable
21 wait times in obtaining assistance through health plan customer
22 service call centers.



1 As a result, health care providers are discouraged from
2 participating in QUEST expanded access provider networks relied
3 upon by QUEST expanded access' medically frail and vulnerable
4 population for necessary care. This raises questions about the
5 ability of QUEST expanded access health plans to maintain
6 adequate provider networks as doctors resist participation due
7 to the company's poor reputation. Despite the department of
8 human services internal audits, these problems persist.

9 Additionally, there are widespread media reports about
10 similar problems with the parent companies, WellCare Health
11 Plans, Inc., and UnitedHealth Group, in other jurisdictions
12 which have resulted in federal sanctions and legal issues.

13 Questions have also been raised about the department of
14 human services practice of reimbursing for-profit health plans
15 the 4.265 per cent insurance premium tax mandated of all for-
16 profit insurers doing business in Hawaii. The speculation is
17 that the practice was initiated by the department of human
18 services under then-Governor Linda Lingle to make it financially
19 feasible for the for-profit companies to bid on the QUEST
20 expanded access contract. In 2010, the legislature attempted to
21 prohibit special treatment of the premium tax expense and passed
22 Act 69, Session Laws of Hawaii 2010, by overriding a veto by



1 then-Governor Lingle. However, despite Act 69's clear
2 legislative intent, the department of human services has
3 continued the policy for the QUEST expanded access contract and
4 is now also using a nearly identical preferential system for
5 QUEST contracts. Procurement for QUEST, the medicaid program
6 for low-income individuals under the age of sixty-five years, is
7 currently underway with contracts scheduled to take effect July
8 1, 2012. QUEST has approximately 235,000 enrollees with an
9 annual budget of \$800,000,000 for contracts with health insurers
10 to manage enrollee care.

11 These issues also must be reviewed in the light of sweeping
12 new changes in the health care system being implemented in
13 Hawaii and across the nation. Governor Abercrombie has
14 established the healthcare transformation coordinator and senior
15 healthcare advisor who are actively leading initiatives
16 involving all health care stakeholders. The legislature is
17 considering legislation relating to health system reforms
18 involving the Hawaii health insurance exchange, the Hawaii
19 health information exchange, and other efforts. Likewise, major
20 policy decisions surrounding the medicaid program should be
21 carried out with ample opportunity for legislative and public
22 input and debate.



1 The legislature finds it is in the public's interest to
2 have clear and unambiguous data and independent review of the
3 performance of the companies, the QUEST expanded access program,
4 and the state management of the program.

5 The purpose of this Act is to direct the auditor to conduct
6 a management and financial audit of the services provided by
7 Evercare and Ohana Health Plan to medicaid clients under QUEST
8 expanded access.

9 SECTION 2. The auditor is directed to conduct a management
10 and financial audit of the QUEST expanded access program. The
11 audit shall evaluate, among other things, the following:

- 12 (1) The quality and efficiency of services provided to
13 medicaid clients by Evercare and Ohana Health Plan;
- 14 (2) Provider network adequacy of Evercare and Ohana Health
15 Plan;
- 16 (3) Client access to services provided by Evercare and
17 Ohana Health Plan;
- 18 (4) Timeliness of payments to providers by Evercare and
19 Ohana Health Plan;
- 20 (5) The history of the department of human services'
21 management decisions involving the QUEST expanded
22 access and QUEST procurements, the premium tax, and



1 compliance with the legislative intent of Act 69,
2 Session Laws of Hawaii 2010; and
3 (6) The adequacy of the department of human services'
4 management of Evercare and Ohana Health Plan to
5 resolve issues raised by providers.

6 SECTION 3. The auditor shall submit a report to the
7 legislature no later than twenty days prior to the convening of
8 the regular session of 2013, containing findings and
9 recommendations, including any proposed legislation, concerning
10 the management and financial audit of QUEST expanded access.

11 SECTION 4. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so much
13 thereof as may be necessary for fiscal year 2012-2013 for the
14 auditor to conduct a management and financial audit of the QUEST
15 expanded access program.

16 The sum appropriated shall be expended by the auditor for
17 the purposes of this Act.

18 SECTION 5. This Act shall take effect on July 1, 2012.

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INTRODUCED BY: Enzanne Chun Claudi
By Request



S.B. NO. 2299

Report Title:

Audit; QUEST Expanded Access; Evercare; Ohana Health Plan

Description:

Requires the auditor to conduct a management and financial audit of the services provided by Evercare and Ohana Health Plan to medicaid clients under the QUEST Expanded Access program. Effective July 1, 2012.

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