

NEIL ABERCROMBIE  
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March 12, 2012

TO: The Honorable John M. Mizuno, Chair  
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2798, S.D.1 - RELATING TO INSURER REQUIREMENTS**

Hearing: Monday, March 12, 2012; 8:30 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of the bill is to require all commercial health care insurers operating in Hawaii to share with the Department of Human Services, a listing of their members for medicaid eligibility determination.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this Administration bill. This measure will enable DHS to determine Medicaid eligibility on a timely basis. This bill will also improve Medicaid program integrity, ensure that Medicaid is the payor of last resort, and ensure that funding for the Medicaid program is used to provide health insurance coverage for those who really need it.

When Congress passed the Deficit Reduction Act of 2005, P.L. 109-171, it made a number of amendments to the Social Security Act intended to strengthen states' ability to identify and collect from liable third party payors that are legally responsible to pay claims primary to Medicaid. To ensure the State's compliance with the requirements of P.L. 109-171, the Legislature

passed Senate Bill No. 917, enacted as Act 103, in 2009 and codified in chapter 431L, Hawaii Revised Statutes.

The federal and State statutes require that Medicaid be the payor of last resort for health insurance. To meet this obligation, the Department of Human Services, as the state Medicaid agency, requires information on Medicaid recipients who also have commercial health insurance.

Section 431L-2.5, Hawaii Revised Statutes, requires health care insurers to share information on an individual basis at the State's request. This bill will require all commercial health care insurers operating in Hawaii to also share with the Department of Human Services a listing of their members on a quarterly basis.

Quarterly reports will allow the Department to determine on a timely basis, the eligibility of persons who apply for Medicaid and the continuing eligibility for persons receiving health care insurance through the Medicaid program. Medicaid allows passive renewal and self-declaration to facilitate eligibility. These processes make it difficult for the Department to determine when a recipient's eligibility status has changed because of employment, increased income, or being provided health coverage under the Prepaid Health Care Act.

In the current economic climate and the unfortunate necessity of reducing medical assistance benefits, identifying areas to decrease expenditures with minimal impact on the public becomes increasingly important.

Thank you for the opportunity to comment on this bill.