

STAND. COM. REP. NO.

2534

Honolulu, Hawaii

FEB 27 2014

RE: S.B. No. 2031
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 2031, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose and intent of this measure is to establish state
licensing requirements for vendors participating in the
competitive bidding program for durable medical equipment,
prosthetics, orthotics, and supplies established by Section 302 of
the Medicare Modernization Act of 2003.

Your Committee received testimony in support of this measure
from the Healthcare Association of Hawaii, The Queen's Health
Systems, and one individual. Your Committee received testimony in
opposition to this measure from the Department of Commerce and
Consumer Affairs, Hawaii Association of Health Plans, and Hawaii
Medical Service Association. Your Committee received comments on
this measure from the Department of Human Services.

Your Committee finds that the Medicare Modernization Act of
2003 established requirements for a new competitive bidding
program for certain durable medical equipment, prosthetics,
orthotics, and supplies. Under the program, suppliers compete to
become Medicare contract suppliers by submitting bids to furnish
certain items in competitive bidding areas. The Centers for
Medicare and Medicaid Services awards contracts to enough
suppliers to meet beneficiary demand for the bid items. However,
according to the Healthcare Association of Hawaii, Medicare



beneficiaries in Hawaii are experiencing a reduction in access to quality care as a result of the change in the way Medicare purchases durable medical equipment. Only thirteen of the ninety-seven vendors that were selected to supply the State with durable medical equipment under round two of the competitive bidding program are located within the State. As a result, Medicare beneficiaries face considerable delays in obtaining necessary durable medical equipment, which increases costs and impacts the beneficiary's quality of life. This measure establishes a state licensing program for vendors participating in the competitive bidding program to require durable medical equipment suppliers to be licensed in Hawaii to ensure that Medicare beneficiaries are provided access to timely, local services.

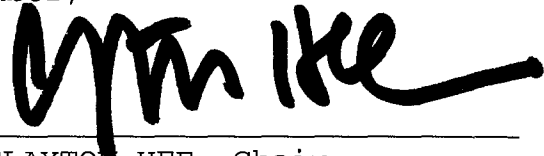
Your Committee notes the concerns raised in the testimony submitted by the Department of Commerce and Consumer Affairs that this measure is too vague to implement and the Department lacks the subject matter expertise regarding the Medicare durable medical equipment competitive bidding program. Furthermore, the testimony submitted by the Hawaii Medical Service Association raised a concern that this measure may bar vendors who elect not to participate in the competitive bid program from licensure, thus removing them from the marketplace. However, your Committee further notes the requests from the stakeholders for additional time to meet and develop language to address the concerns raised in submitted testimony.

Accordingly, your Committee has amended this measure by deleting its contents and inserting the original language of this measure as introduced to require vendors who have been awarded contracts through the Centers for Medicare and Medicaid Services durable medical equipment, prosthetics, orthotics, and supplies bidding program to provide supplies to the residents of the State to have a physical presence in Hawaii. Your Committee has retained the effective date of July 1, 2050, to ensure further discussion.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2031, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2031, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,



CLAYTON HEE, Chair



