

SB 2314

RELATING TO HEALTH CARE.

Requires the department of public safety to implement state of the art clinical code editing technology solutions to the correctional health care program in order to prevent errors and potential overbilling. Requires the department to implement correctional health care claims audit and recovery services to identify improper payments. Requires the department to ensure that medicaid is billed for eligible inpatient hospital and professional services.

NEIL ABERCROMBIE
GOVERNOR



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DEPARTMENT OF PUBLIC SAFETY
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No. _____

TESTIMONY ON SENATE BILL 2314
A BILL RELATING TO HEALTH CARE
Ted Sakai, Director
Department of Public Safety

Senate Committee on Public Safety, Intergovernmental and Military Affairs
Senator Will Espero, Chair
Senator Rosalyn H. Baker, Vice Chair

Senate Committee on Technology and the Arts
Senator Glenn Wakai, Chair
Senator Clarence K. Nishihara, Vice Chair

Tuesday, February 6, 2014, 1:45 p.m.
State Capitol, Conference Room 414

Chairs Espero and Wakai, Vice Chairs Baker and Nishihara, and Members of the Committee:

The Department of Public Safety (PSD) **supports the intent** of this bill, but the present collaboration between PSD and the Department of Human Services (DHS) already provides for many of the cost savings processes identified in this bill.

Since 1999, PSD and DHS have developed, regularly updated, and implemented a claims adjudication process utilizing the Medicaid reimbursement fee schedule and its payment detection and overpayment prevention systems to provide accurate, timely payments to all PSD community outpatient and hospital providers. This measure will force PSD to contract with an outside vendor to achieve savings less than what the present partnership with DHS provides.

DHS has recently implemented a new eligibility system which will enable PSD's patients to have increased access to Medicaid eligible services.

Thank you for the opportunity to testify on this bill.

NEIL ABERCROMBIE
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DEPARTMENT OF HUMAN SERVICES

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February 6, 2014

TO: The Honorable Will Espero, Chair
Senate Committee on Public Safety, Intergovernmental and Military Affairs

The Honorable Glenn Wakai, Chair
Senate Committee on Technology and the Arts

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2314 - RELATING TO HEALTH CARE**

Hearing: Thursday, February 6, 2014; 1:45 p.m.
Conference Room 414, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Public Safety to implement state of the art clinical code editing technology solutions to the correctional health care program in order to prevent errors and potential overbilling, implement correctional health care claims audit and recovery services to identify improper payments, and ensures that Medicaid is billed for eligible inpatient hospital and professional services.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure, however, activities required in this bill already occur with the use of the DHS claims processing system by the Department of Public Safety (DPS). Claims for medical services are processed and adjudicated through the Med-QUEST Division's (MQD) fiscal agent contractor. Inmates who are hospitalized are eligible for Medicaid and all inpatient claims for the hospitalizations are also processed through the MQD

fiscal agent contract so that there is no need for the DPS to have in place a separate claims processing system. In addition, the MQD has a contract in place with a Recovery Audit Contractor who is responsible for reviewing Medicaid claims and performing the same audit and recovery functions stated in the bill.

The DHS defers to the Department of Public Safety regarding the operational impact of implementing a new claims system rather than utilizing the DHS fiscal agent and recovery audit contractors.

Thank you for the opportunity to testify on this measure.



February 3, 2014

PSM and TEC Committees
Conference Room 414
State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: Committee Hearing on S.B. 2314 relating to health care

Dear PSM and TEC Committee Members,

On behalf of one of our national clients, Emdeon, I wanted to officially submit this written testimony into the record for Thursday's (February 6th) hearing on S.B. 2314 relating to health care.

It is our understanding that this bill could save Hawaii millions of dollars by reducing correctional health care costs.

Specifically, this short bill would do two things:

- Reduce inmate health care costs by billing Medicaid for eligible inpatient hospital and professional services.
- Implement automated payment detection, prevention and recovery solutions to reduce correctional healthcare overpayments.

To illustrate how Hawaii could save millions of dollars with these two small changes, I am including links below to reports from 7 different states in which they detail anywhere from \$11.5 Million to \$273 Million in estimated savings from the implementation of these changes. Again, these are reports from not one or two, but 7 different states.

Additionally, while potentially saving Hawaii tens of millions of dollars, this legislation should not have any upfront costs or fiscal note, as the legislation states that:

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The department shall contract for the technology services necessary to carry out this section, and the savings achieved through this section shall be used to pay for implementation and administration of programs implemented pursuant to this section.

Through a competitive bid process, Hawaii should be able to contract for these services for pennies on the dollar, compared to the savings that the state should be able to achieve.

It is my understanding that the cost saving measures in S.B. 2314 have already been implemented in California, Louisiana, Mississippi, Nebraska, Oklahoma and Washington State (as referenced in the links below). So the bill would not be trying anything new.

In addition, 7 other states have already introduced similar legislation in 2014. So, this is a very popular bill across the country.

For all of the reasons above, we encourage your strong support.

Here are links to the independent state reports referenced above.

[New York Could Save \\$20 Million A Year With Legislation](#)

[New York Comptroller's Full Report Detailing the \\$20 Million Annual Savings](#)

[New Jersey Comptroller – Action Could Save \\$23 Million](#)

[Ohio Could Save \\$273 Million From 2014-2020 \(see pages 9 and 10\)](#)

[Michigan Could Save \\$234 Million Over the Next 5 Years](#)

[California Could Save \\$70 Million Annually](#)

[North Carolina Could Save \\$11.5 Million per year](#)

[New Hampshire Could Save \\$21 Million from 2014-2020 \(see page 20\)](#)

[States Missing Out On Millions In Medicaid For Prisoners](#)

[PEW Report – Managing Prison Healthcare Spending](#)

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NCSL LegisBrief – Reducing Correctional Healthcare Spending

Sincerely,

A handwritten signature in black ink that reads 'Noah Reandeau'.

Noah Reandeau
Vice President

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