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## A BILL FOR AN ACT

RELATING TO HEALTH.

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

1           SECTION 1. The legislature finds that Hawaii is currently  
2 experiencing a shortage of primary care physicians, particularly  
3 on the neighbor islands. The latest estimates from the  
4 Hawaii/Pacific Basin Area Health Education Center finds that  
5 Hawaii is short seven hundred physicians when compared to  
6 similarly sized communities across the country. It is estimated  
7 that this number could grow to a shortage of fifteen hundred  
8 physicians in the next decade as more physicians retire early or  
9 leave Hawaii to practice in other states.

10           One reason for the growing physician shortage is a lack of  
11 adequate reimbursement rates. Currently, primary care  
12 physicians receive a portion of their reimbursement under  
13 certain insurance plans as a capitated rate of \$24 per-member-  
14 per-month. This reimbursement does not change regardless of how  
15 many times the physician sees that particular member over the  
16 course of the month. This \$24 per-member-per-month rate has not  
17 changed despite increasing costs to live and practice in Hawaii



1 and statewide increases in the minimum wage. Based on this  
2 rate, a solo practitioner must work over two hundred hours per  
3 month and care for over fifteen hundred patients to receive a  
4 fair and reasonable salary, not including costs for overhead,  
5 staff, or supplies. Furthermore, more insurance companies are  
6 moving away from a fee-for-service model of reimbursement and  
7 towards capitated payments; a move that may negatively impact  
8 patient care by encouraging doctors to see fewer patients,  
9 discourage them from accepting new patients, or cause doctors to  
10 leave Hawaii to practice in other states with a lower cost of  
11 living and a higher capitated payment rate.

12 The purpose of this Act is to require the insurance  
13 commissioner to perform a study on capitated rates, comparing  
14 Hawaii's current practices with those of other states.

15 SECTION 2. The insurance commissioner shall perform a  
16 study analyzing the capitated rate reimbursement model used by  
17 some of Hawaii's insurance providers and comparing this to the  
18 reimbursement models of insurance providers in other states.

19 This study shall examine:

- 20 (1) The quality and accessibility of healthcare for the  
21 patients;




- 1 (2) The quality and accessibility of primary care
- 2 physician services;
- 3 (3) The costs to operate healthcare provider businesses
- 4 including independent healthcare providers, healthcare
- 5 clinics, and hospitals;
- 6 (4) The level of reimbursement to healthcare providers in
- 7 both Hawaii and other states with similarly-sized
- 8 communities and whether the reimbursements are
- 9 sufficient to ensure the viability of providers'
- 10 business; and
- 11 (5) The correlation, if any, between increases in the
- 12 minimum wage and increases in capitated payment rates
- 13 in other states.

14 SECTION 3. The insurance commissioner shall submit a  
 15 report of findings and recommendations, including any proposed  
 16 legislation, to the legislature no later than twenty days prior  
 17 to the convening of the regular session of 2020.

18 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: Samy M. Sakai  
*Richard Long*  
*Stanley...*  
*Jakshi On*



*Hyakulima*  
Jon Ben

*She*  
Lyn McLoote  
M. A. H.

*Paul Kishi*

*Chen Tard*

*[Signature]*

*Gregory*

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# H.B. NO. 1464

**Report Title:**

Health Insurance; Capitated Rates; Study; Insurance Commissioner

**Description:**

Requires the Insurance Commissioner to perform a study on capitated payment rates in Hawaii that compares the payment model in Hawaii with the payment models in other states.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

