
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; and
- 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.

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

15 SECTION 4. There is appropriated out of the general
 16 revenues of the State of Hawaii the sum of \$ or so much
 17 thereof as may be necessary for fiscal year 2019-2020 for the
 18 purposes of this Act.

19 The sums appropriated shall be expended by the department
 20 of commerce and consumer affairs for the purposes of this Act.

21 SECTION 5. This Act shall take effect on July 1, 2050.



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. Appropriates funds for the study. (HB1464 HD2)

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