
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 has long been
2 a leader in advancing medical services and health care,
3 advocating the importance of access to health care without
4 discrimination, and implementing forward-thinking health care
5 policy such as the Hawaii Prepaid Health Care Act of 1974. It
6 is in the best interest of the State for each and every
7 beneficiary of med-QUEST, the Hawaii medicaid program, to have
8 publicly provided, high quality, and affordable health care.

9 Health care involves more than just medical insurance
10 payouts, but also includes cost-saving preventative and early
11 intervention measures, dental services, and mental illness
12 treatment to prevent medical health conditions from becoming
13 chronic, permanently disabling, or fatal. Under Hawaii's
14 current health care insurance system, patients encounter many
15 challenges to their medical care, including requirements for
16 prior authorizations, formulary restrictions, and networks with
17 limited physician participation. This system also burdens



1 physicians and hospitals with administrative demands such as pay
2 for performance, pay for documentation, and capitation, all of
3 which require much more detailed documentation and data
4 reporting while controlling and restricting payment for primary
5 care in particular, which results in physicians being driven out
6 of practice or leaving the State.

7 The legislature further finds that health care rates are
8 skyrocketing, creating an affordability and accessibility crisis
9 for Hawaii's residents. The two largest cost drivers of health
10 care in the United States and Hawaii are high administrative
11 costs due to reliance on a competitive insurance business model
12 and the high cost of prescription drugs. For more than a
13 quarter of a century, Hawaii was far ahead of most other states
14 and often called itself the "health state" because of the
15 Prepaid Health Care Act and for having a low percentage of
16 residents without health insurance, which in 1994 was between
17 two and five per cent.

18 The legislature also finds that as a result of the COVID-19
19 pandemic, thousands of Hawaii residents have lost their jobs and
20 health insurance, making it critical for the State to support
21 struggling families by ensuring preventative care and limiting



1 out-of-pocket costs. The safeguarding of access to health care,
2 solidification of the essential health benefits that have
3 changed thousands of lives, and improvement of overall access to
4 care requires the preservation of certain important aspects of
5 the federal Patient Protection and Affordable Care Act and the
6 expansion of access to care for residents of Hawaii.

7 Nationally, health insurance plans paid per member with
8 risk adjustment based on diagnoses, such as Hawaii's medicaid
9 managed care plans, are currently the subject of multiple
10 federal Department of Justice investigations regarding
11 fraudulent upcoding to secure higher payments by gaming risk
12 adjustment formulas. Medicaid managed care plans have been
13 found to report participating provider lists that are grossly
14 inaccurate, including listing many physicians who are no longer
15 in practice and in some cases are deceased, and listing many
16 physicians who will not actually accept new patients covered by
17 the medicaid managed care plans.

18 Accordingly, the purpose of this Act is to require the
19 auditor to conduct a comprehensive study of the managed care
20 organizations that administer the medicaid program in the State.



1 SECTION 2. (a) The auditor shall conduct a study that
2 includes:

3 (1) A financial analysis of managed care organizations
4 that administer the medicaid program by auditing:

5 (A) Amounts paid for direct health care services,
6 including laboratory and other testing services;

7 (B) Amounts paid for quality improvement under the
8 federal Patient Protection and Affordable Care
9 Act; and

10 (C) Amounts paid for administrative services,
11 including a breakdown of:

12 (i) Medical management administrative costs;

13 (ii) Payment reform administrative costs; and

14 (iii) Payments to providers of health care;

15 (2) An assessment of network adequacy among medicaid
16 managed care plans, by conducting "secret shopper"
17 surveys to determine how many physicians the plans
18 claim to be network providers are actually accepting
19 patients insured by the medicaid managed care plans;
20 and



(3) An assessment of the extent of upcoding by medicaid managed care plans to increase payments from Hawaii med-QUEST based on risk adjustment formulas that reward an overdiagnosis.

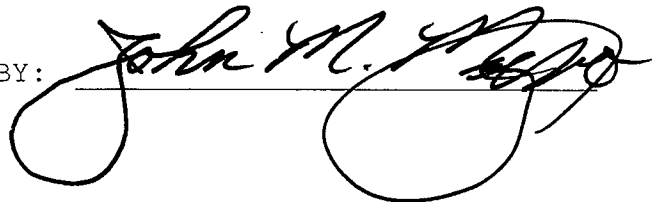
(b) The auditor shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2023.

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2022-2023 for a comprehensive study of the managed care organizations that administer the medicaid program in the State.

The sum appropriated shall be expended by the auditor for the purposes of this Act.

SECTION 4. This Act shall take effect on July 1, 2022.

INTRODUCED BY:



JAN 24 2022



H.B. NO. 2032

Report Title:

Auditor; Study; Medicaid Managed Care; Med-QUEST

Description:

Requires the auditor to conduct a comprehensive study of managed care organizations that administer the medicaid program in the State.

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