

**Report Title:**

Health Insurance Reimbursements

**Description:**

Provides that mutual benefit societies providing health insurance provide increased insurance reimbursements of 135 per cent of the current medicare reimbursement rate and all other insurers provide reimbursement rates of not less than 100 per cent of medicare reimbursement rates.



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# A BILL FOR AN ACT

RELATING TO HEALTH CARE PROVIDER REIMBURSEMENTS.

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

1           SECTION 1. The legislature finds there is a health care  
2 crisis in the State of Hawaii because our health care provider  
3 reimbursements from the aggregate of medicaid, medicare, and  
4 private insurers, are the lowest of all the fifty states. Our  
5 reimbursement rates are well below the national average of  
6 reimbursements from private insurers, which is one hundred  
7 thirty-five per cent of the prevailing medicare rate. Safety  
8 net and specialty hospitals are being forced into the position  
9 of making cutbacks in staffing, and potentially into services,  
10 and Hawaii is losing important medical professionals because of  
11 inadequate payment for their services. Reimbursements must be  
12 increased to avoid a collapse of the health care system.

13           The purpose of this Act is to strengthen Hawaii's health  
14 care system by ensuring adequate reimbursement rates for  
15 services rendered by health care providers in the state.



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1 SECTION 2. Chapter 432, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 **"§432- \_\_\_\_\_ Medical service provider reimbursement rate.**

5 To qualify for the tax exemption under section 432:1-403, all  
6 individual or group hospital or medical service plan contracts  
7 shall reimburse medical service providers on all medicare codes,  
8 and regardless of whether the patient is a participant in a  
9 medicaid or medicare program, at a rate not less than one  
10 hundred thirty-five per cent of the current medicare schedule.

11 SECTION 3. Section 346-59, Hawaii Revised Statutes, is  
12 amended as follows:

13 1. By amending subsection (b) to read:

14 "(b) Rates of payment to providers of medical care who are  
15 individual practitioners, including doctors of medicine,  
16 dentists, podiatrists, psychologists, osteopaths, optometrists,  
17 and other individuals providing services, shall be based upon  
18 the Hawaii medicaid fee schedule. The amounts paid shall not  
19 exceed the maximum permitted to be paid individual practitioners  
20 or other individuals under federal law and regulation, [~~the~~  
21 ~~medicare fee schedule for the current year,~~] the state limits as



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1 provided in the appropriation act, or the provider's billed  
2 amount.

3       The appropriation act shall indicate the percentage of the  
4 medicare fee schedule for the most current year [~~2000 to~~] that  
5 shall be used as the basis for establishing the Hawaii medicaid  
6 fee schedule~~[-]~~; provided that the percentage shall not be less  
7 than one hundred per cent of the most current medicare fee  
8 schedule. For any [~~subsequent~~] adjustments to the fee schedule,  
9 the legislature shall specify the extent of the adjustment in  
10 the appropriation act."

11       2. By amending subsection (d) to read:

12       "(d) Payments to health maintenance organizations and  
13 prepaid health plans with which the department executes risk  
14 contracts for the provision of medical care to eligible public  
15 assistance recipients may be made on a prepaid basis. The rate  
16 of payment per participating recipient shall be fixed by  
17 contract, as determined by the department and the health  
18 maintenance organization or the prepaid health plan, but shall  
19 not exceed the maximum permitted by federal rules and shall be  
20 less than the federal maximum when funds appropriated by the  
21 legislature for such contracts require a lesser rate~~[-]~~;  
22 provided that when the rate of payment per participating



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1 recipient is based in whole or in part on reimbursements for  
2 medicaid services, the rate of reimbursement for medicaid  
3 services shall not be less than the rates in the most current  
4 medicare fee schedule. For purposes of this subsection, "health  
5 maintenance organizations" are entities approved as such, and  
6 "prepaid health plans" are entities designated as such by the  
7 Department of Health and Human Services; and "risk" means the  
8 possibility that the health maintenance organization or the  
9 prepaid health plan may incur a loss because the cost of  
10 providing services may exceed the payments made by the  
11 department for services covered under the contract."

12 SECTION 4. Section 432:1-403, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 **"§432:1-403 Nonprofit medical, hospital indemnity**  
15 **associations; tax exemption.** Every association or society  
16 organized and operating under this article solely as a nonprofit  
17 medical indemnity or hospital service association or society or  
18 both shall be, from the time of such organization, and if in  
19 compliance with section 432- , exempt from every state,  
20 county and municipal tax, except unemployment compensation tax.  
21 Nothing in this section shall be deemed to exempt the  
22 association or society from liability to withhold the taxes



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1 payable by its employees and to pay the same to the proper  
2 collection officers, and to keep such records, and make such  
3 returns and reports, as may be required in the case of other  
4 corporations, associations or societies similarly exempted from  
5 such taxes."

6 SECTION 5. Section 432- notwithstanding, a mutual  
7 benefit society in existence on the effective date of this Act  
8 shall comply with section 2 of this Act within twelve weeks of  
9 the effective date of this Act or shall be disqualified for tax  
10 exempt status under section 432:1-403, Hawaii Revised Statutes,  
11 beginning January 1, 2010.

12 SECTION 6. There is appropriated out of the general  
13 revenues of the State of Hawaii the sum of \$45,000,000 or so  
14 much thereof as may be necessary for fiscal year 2009-2010, to  
15 provide the State's share of funding for the purposes of this  
16 Act.

17 The sums appropriated shall be expended by the department  
18 of human services for the purposes of this Act.



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**1** SECTION 7. Statutory material to be repealed is bracketed  
**2** and stricken. New statutory material is underscored.

**3** SECTION 8. This Act shall take effect on July 1, 2009.

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INTRODUCED BY: \_\_\_\_\_

