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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 medicaid is the  
2   cornerstone of health care for our most needy population.  
3   Further, the legislature has previously recognized that it is in  
4   the public interest to ensure that health care payments made  
5   with state funds or controlled by the State are sufficient to  
6   cover the actual costs of care. However, inadequate payment and  
7   reimbursement from medicaid have compromised access to medical  
8   care not only for the uninsured and those covered by medicaid  
9   but also for those individuals who have private employer-based  
10  health insurance.

11           Although our community health care centers provide  
12  excellent primary care and outreach, they do not cover specialty  
13  and hospital care. Patients who cannot obtain access to the  
14  health care they need are more likely to seek care in the more  
15  expensive emergency room setting. As documented in numerous  
16  media reports, emergency room access to specialty care coverage  
17  has reached crisis proportions.



1 Hawaii's hospitals in particular have been detrimentally  
2 affected by the inadequacy of medicaid reimbursements and  
3 payments. Hawaii's hospitals have annually lost millions of  
4 dollars because government reimbursement is far below the cost  
5 of providing medical care. Between 2003 and 2005, medicaid  
6 payments to hospitals covered only seventy-three to seventy-  
7 eight per cent of total medicaid costs, creating a strain on the  
8 hospitals' financial stability.

9 Currently, the administrative rules of the department of  
10 human services governing fee-for-service medicaid reimbursement  
11 provide only for hospital inpatient and long-term care nursing  
12 rates to be adjusted annually for inflation. Reimbursement  
13 rates for other services have gone years without a rate  
14 adjustment for inflation despite the rising cost of providing  
15 these services. Additionally, hospital outpatient services  
16 rates have not been increased for many years, while hospital  
17 labor and other costs have increased dramatically over the  
18 years. Consequently, hospitals have suffered financially and  
19 have had to use prior years' reserves and other funds to make up  
20 the shortfall from medicaid services.



1           The purpose of this Act is to meet rising health care costs  
2 and ensure that Hawaii's residents have continued access to  
3 quality health care by:

4           (1) Establishing a process by which medicaid fee-for-  
5 service individual provider reimbursement rates are  
6 increased annually for inflation;

7           (2) Retroactively adjusting for inflation, payments made  
8 to providers of hospital outpatient services and other  
9 individual providers to account for the lack of a rate  
10 increase for the past five years; and

11          (3) Appropriating funds:

12           (A) To increase the medicaid fee schedule to one  
13 hundred per cent of the medicare fee schedule for  
14 the current year;

15           (B) To adjust for inflation payments made to medicaid  
16 fee-for-service hospitals during fiscal biennium  
17 2005-2007; and

18           (C) For the State's portion of the federal  
19 disproportionate share hospital allowance.

20          SECTION 2. Section 346-59, Hawaii Revised Statutes, is  
21 amended by amending subsection (b) to read as follows:



1       "(b) Rates of payment for outpatient hospital services,  
2 except for emergency room services, and to providers of medical  
3 care who are individual practitioners, including doctors of  
4 medicine, dentists, podiatrists, psychologists, osteopaths,  
5 optometrists, and other individuals providing services, shall be  
6 based upon the Hawaii medicaid fee schedule. The amounts paid  
7 shall [~~not exceed the maximum permitted to be paid individual~~  
8 ~~practitioners or other individuals under federal law and~~  
9 ~~regulation,~~] be one hundred per cent of the medicare fee  
10 schedule for the current year[~~, the state limits as provided in~~  
11 ~~the appropriation act, or the provider's billed amount.~~

12       ~~The appropriation act shall indicate the percentage of the~~  
13 ~~medicare fee schedule for the year 2000 to be used as the basis~~  
14 ~~for establishing the Hawaii medicaid fee schedule. For any~~  
15 ~~subsequent adjustments to the fee schedule, the legislature~~  
16 ~~shall specify the extent of the adjustment in the appropriation~~  
17 ~~act].~~

18       Rates under the medicaid fee schedule shall be adjusted  
19 each year for inflation by multiplying the rates in effect on  
20 June 30 of each year by the sum of one plus the inflation factor  
21 for the prior fiscal year. The inflation factor shall be based  
22 on the latest available actual, or estimated if actual is not



1 available, national index for providers of medical care. This  
2 subsection shall not apply to QUEST medical plans."

3 SECTION 3. The department of human services shall adjust  
4 payments made for noninstitutional items and services provided  
5 by medicaid fee-for-service providers during fiscal biennium  
6 2005-2007, for inflation by multiplying those payments by the  
7 sum of one plus the inflation factor for the prior fiscal year,  
8 based on the latest available actual, or estimated if actual is  
9 not available, national index for providers of medical care.  
10 The department of human services shall reimburse providers for  
11 the difference between actual payments and adjusted payment  
12 amounts; provided that the amounts paid shall not exceed the  
13 maximum permitted to be paid individual practitioners or other  
14 providers under federal law and regulation, and the medicare fee  
15 schedule for the current year.

16 SECTION 4. There is appropriated out of the general  
17 revenues of the State of Hawaii the sum of \$9,800,000 or so much  
18 thereof as may be necessary for fiscal year 2007-2008 to adjust  
19 for inflation payments made to medicaid fee-for-service  
20 hospitals during fiscal biennium 2005-2007.

21 The sum appropriated shall be expended by the department of  
22 human services for the purposes of this Act.



1 SECTION 5. There is appropriated out of the general  
2 revenues of the State of Hawaii the sum of \$8,800,000 or so much  
3 thereof as may be necessary for fiscal year 2007-2008 and the  
4 same sum or so much thereof as may be necessary for fiscal year  
5 2008-2009 to increase the medicaid fee schedule pursuant to  
6 section 346-59(b), Hawaii Revised Statutes.

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

9 SECTION 6. There is appropriated out of the general  
10 revenues of the State of Hawaii the sum of \$8,000,000 or so much  
11 thereof as may be necessary for fiscal year 2007-2008 for the  
12 State's portion of the federal disproportionate share hospital  
13 allowance.

14 The sums appropriated shall be expended by the human  
15 services for the purposes of this Act.

16 SECTION 7. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 8. This Act shall take effect on July 1, 2007.



**Report Title:**

Medicaid Fee Schedule Rate Increase; Annual Inflation Adjustment

**Description:**

Amends the medicaid fee schedule law to require an annual adjustment for inflation; changes the medicaid fee schedule to one hundred per cent of the medicare fee schedule for the current year; and appropriates funds. (SD1)

