



GOV. MSG. NO. 844

EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

July 15, 2009

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
Twenty-Fifth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

I am transmitting herewith HB1525 HD1 SD2 CD1, without my approval, and with the statement of objections relating to the measure.

HB1525 HD1 SD2 CD1

A BILL FOR AN ACT  
RELATING TO MEDICAID.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Lingle".

LINDA LINGLE

EXECUTIVE CHAMBERS

HONOLULU

July 15, 2009

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 1525

Honorable Members  
Twenty-Fifth Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 1525, entitled "A Bill for an Act Relating to Medicaid."

The purpose of this bill is to require the Department of Human Services to include specified reporting requirements in all future Medicaid health insurance plan contracts.

This bill is objectionable because it requires reporting requirements that will not improve the Department of Human Services' ability to provide quality health care services to Medicaid clients or expand access to care for those patients. Instead, this bill requires non-essential information that is designed to deliberately reflect detrimentally upon private health care provider organizations who wish to contract with the State.

For example, the bill requires health insurance organizations to provide employment information, including the compensation provided to the five highest paid Hawaii employees and the five highest paid employees nationwide, and a description of each position. Other requirements include the amount of funds set aside to meet shareholder payments. This data is irrelevant to the issue that matters most---are Medicaid patients receiving quality care at the most cost-effective rate for the State.

It is time for legislators to support the new, more cost-effective approach the State has taken to contracting for

STATEMENT OF OBJECTIONS  
HOUSE BILL NO. 1525  
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Medicaid services and recognize the courts and the State  
Procurement Office have reaffirmed the validity of the contracts.

For the foregoing reason, I am returning House Bill  
No. 1525 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read 'Linda Lingie', with a stylized flourish at the end.

LINDA LINGIE  
Governor of Hawaii

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## A BILL FOR AN ACT

RELATING TO MEDICAID.

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

1       SECTION 1. Recently, the state department of human  
2 services contracted for the administration of a new managed care  
3 program, QUEST Expanded Access, for the aged, blind, and  
4 disabled population. Of the awarded contracts, two went to for-  
5 profit insurance companies to provide medicaid coverage for  
6 Hawaii's thirty-seven thousand aged, blind, and disabled  
7 residents. Several states have found a number of serious  
8 violations of law and instances of medicaid fraud in  
9 administering similar medicaid programs through for-profit  
10 insurance companies. Medicaid fraud squanders limited funds,  
11 threatens safety, and cheats American taxpayers, which inhibits  
12 government efforts to obtain needed healthcare and services for  
13 aged, blind, and disabled residents. As a result, legislation  
14 has been proposed throughout the United States that permits only  
15 nonprofit and government-related entities to bid on medicaid  
16 contracts.



1       The department of human services has determined that the  
2       State may contract with for-profit entities to provide medicaid  
3       health insurance plans under the QUEST Expanded Access program.  
4       However, it is important to the taxpayers of the State of Hawaii  
5       that state laws and rules give state agencies latitude to  
6       determine the reasonableness of administrative spending for for-  
7       profit health insurance plans. It is also important to the  
8       taxpayers that for-profit corporations providing health  
9       insurance for Hawaii's medicaid clients understand Hawaii's  
10      cultural history of caring for those who are less fortunate.

11      For-profit entities that are willing to do business in the  
12      State of Hawaii with the cultural understanding and compassion  
13      that Hawaii as the "Health State" has fostered, should be  
14      willing to disclose all financial activities of its Hawaii  
15      subsidiaries and its national corporate entities as a gesture of  
16      good faith and local corporate integrity.

17      The purpose of this Act is to require all future Medicaid  
18      health insurance procurement contracts to be awarded only to  
19      qualified nonprofit and for-profit entities that comply with  
20      specified reporting requirements.



1 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 "§103F- Medicaid contracts; nonprofits and for-profits;  
5 reporting requirements. (a) All nonprofit or for-profit  
6 medicaid healthcare insurance contractors, within one hundred  
7 and eighty days following the close of each fiscal year, shall  
8 submit an annual report to the department of human services, the  
9 insurance division of the department of commerce and consumer  
10 affairs, and the legislature. The report shall be attested to  
11 by a plan executive located within the state and shall be made  
12 accessible to the public.

13 The report shall be based on contracts administered in the  
14 state and shall include:

15 (1) An accounting of expenditures of MedQuest contract  
16 payments for the contracted services, including the  
17 percentage of payments:

18 (A) For medical services;

19 (B) For administrative costs;

20 (C) Held in reserve; and

21 (D) Paid to shareholders;



1        (2) Employment information including:

2        (A) Total number of full-time employees hired for the  
3        contracted services;

4        (B) Total number of employees located in the state  
5        and the category of work performed; and

6        (C) The compensation provided to each of the five  
7        highest paid Hawaii employees and to each of the  
8        five highest paid employees nationwide, and a  
9        description of each position;

10       (3) Descriptions of any on-going state or federal sanction  
11       proceedings, prohibitions, restrictions, on-going  
12       civil or criminal investigations, and descriptions of  
13       past sanctions or resolved civil or criminal cases,  
14       within the past five years and related to the  
15       provision of medicare or medicaid services by the  
16       contracting entity, to the extent allowed by law;

17       (4) Descriptions of contributions to the community,  
18       including the percentage of revenue devoted to Hawaii  
19       community development projects and health  
20       enhancements; provided that contracted services shall  
21       not be included in the percentage calculation; and



1        (5) A list of any management and administrative service  
2                contracts for MedQuest services made in Hawaii and  
3                outside of the state, including a description of the  
4                purpose and cost of those contracts.

5        (b) The department of human services shall include in all  
6        medicaid healthcare insurance plan contracts, the annual  
7        reporting requirements of subsection (a).

8        (c) Any contract under this section shall be governed by  
9        the laws of the State of Hawaii.

10       (d) Within ninety days of receipt of the reports required  
11       by this section, the department of human services shall provide  
12       a written analysis and comparative report to the legislature."

13       SECTION 3. This Act does not affect rights and duties that  
14       matured, penalties that were incurred, and proceedings that were  
15       begun, before its effective date.

16       SECTION 4. New statutory material is underscored.

17       SECTION 5. This Act shall take effect on July 1, 2009.

