# A BILL FOR AN ACT

RELATING TO HEALTH.

	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:
1	SECTION 1. Medicaid is a state program that provides
2	health care to certain low-income individuals and families. The
3	State sets the criteria for eligibility, determines the services
4	that are available, and administers the program. As with all
5	states, Hawaii's medicaid program is funded in large part by the
6	federal government.
7	The legislature finds that medicaid operates in partnership
8	with Hawaii's health care providers, as it does not directly
9	employ health care practitioners, but rather, pays health care
10	providers for services rendered to medicaid participants.
11 .	Prior to 1994, medicaid paid providers directly on a
12	fee-for-services basis. In 1994, Hawaii implemented the QUEST
13	program to provide health care to many medicaid participants

12 13 through a managed care approach. Under QUEST, the State 14 15 contracts with health care insurance plans to pay each plan a 16 capitated amount for each participant. The health plans in turn **17** pay the providers that deliver care to medicaid participants.

- 1 QUEST-Ex was implemented to provide care on a managed care basis to the medicaid aged, blind, and disabled population. 2 3 legislature finds that since QUEST-Ex began operating, health 4 care providers have experienced many cases of delayed payments 5 from health care plans contracting with the State. As a result 6 of these delays, many providers have experienced severe 7 financial difficulties that impact their ability to deliver 8 quality care. 9 The "clean claims" law under section 431:13-108, Hawaii 10 Revised Statutes, requires health plans to pay providers on a 11 timely basis when uncontested claims are submitted. 12 Specifically, the law requires payments to be made within thirty days for clean claims submitted in writing, and within fifteen 13 14 days for clean claims submitted electronically. However, the 15 law contains an exemption for medicaid. As a result, health 16 plans contracted by the State under medicaid may delay payments 17 without penalty while health care providers are left to suffer. 18 The purpose of this Act is to repeal the exemption from the 19 clean claims law for health plans contracting with the State 20 under medicaid and to require the State to pay interest on 21 delayed payments, unless certain circumstances apply, and to address the Medicaid shortfall with funds from the hurricane 22
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- 1 reserve trust fund matched federally by the American Recovery 2 and Reinvestment Act. 3 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is 4 amended by adding a new section to be appropriately designated 5 and to read as follows: 6 "§103F- Medicaid payments. (a) The State shall pay a 7 health plan with which it has contracted under the State's 8 medicaid program according to the terms of the contract, or in 9 the absence of contracted language regarding timeliness of payments, within the first fifteen days of each month but no 10 later than the last day of each month. If circumstances prevent 11 12 the State from complying with this section, the State shall pay 13 the health plan interest on any amounts remaining unpaid at a rate equal to fifteen per cent per year, commencing on the day 14 15 after payment is due and ending on the date of payment. 16 This section shall not apply in those cases where a 17 delay in payment is due to: 18 A bona fide dispute between the State or any county (1) 19 and the contracting health plan concerning the 20 services or goods contracted for; 21 (2) A labor dispute;
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(3)

A power or mechanical failure;

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1 (4)Fire; or 2 (5) Acts of God. 3 (c) Accrual of interest shall be suspended automatically if the entity's failure to pay a claim within the applicable 4 5 time limitations is the result of late payment to the entity by 6 the state or federal government for services provided to 7 beneficiaries of a government program." 8 SECTION 3. Chapter 346, Hawaii Revised Statutes, is 9 amended by adding a new section to be appropriately designated and to read as follows: 10 11 "\$346- Medicaid payments. (a) The State shall pay a 12 health plan with which it has contracted under the State's 13 medicaid program according to the terms of the contract, or in 14 the absence of contracted language regarding timeliness of payments, within the first fifteen days of each month but no 15 16 later than the last day of each month. If circumstances prevent 17 the State from complying with this section, the State shall pay 18 the health plan interest on any amounts remaining unpaid at a rate equal to fifteen per cent per year, commencing on the day 19 20 after payment is due and ending on the date of payment. 21 (b) This section shall not apply in those cases where a 22 delay in payment is due to:

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1	(1)	A bona fide dispute between the State or any county
2		and the contracting health plan concerning the
3		services or goods contracted for;
4	(2)	A labor dispute;
5	(3)	A power or mechanical failure;
6	(4)	Fire; or
7	(5)	Acts of God.
8	(c)	Accrual of interest shall be suspended automatically
9	if the en	tity's failure to pay a claim within the applicable
10	time limi	tations is the result of late payment to the entity by
11	the state	or federal government for services provided to
12	<u>beneficia</u>	ries of a government program."
13	SECT	ION 4. Section 431:13-108, Hawaii Revised Statutes, is
14	amended b	y amending the definition of "clean claim" in
15	subsection	n (j) to read as follows:
16	""Cl	ean claim" [ <del>means</del> ] <u>:</u>
17	(1)	Means a claim in which the information in the
18		possession of an entity adequately indicates that:
19	[-(1)	] (A) The claim is for a covered health care service
20		provided by an eligible health care provider to a
21		covered person under the contract;
22	[-(2)-	] (B) The claim has no material defect or impropriety;

1	$\left[\frac{(3)}{(2)}\right]$ There is no dispute regarding the amount
2	claimed; and
3	$[\frac{(4)}{(D)}]$ The payer has no reason to believe that the
4	claim was submitted fraudulently.
5	[The term does] (2) Does not include:
6	$\left[\frac{(1)}{(1)}\right]$ (A) Claims for payment of expenses incurred during a
7	period of time when premiums were delinquent;
8	$[\frac{(2)}{(B)}]$ Claims that are submitted fraudulently or that
9	are based upon material misrepresentations; and
10	[ <del>(3)</del> Medicaid or Medigap claims; and
11	(4)] (C) Claims that require a coordination of benefits,
12	subrogation, or preexisting condition
13	investigations, or that involve third-party
14	liability."
15	SECTION 5. Notwithstanding any provisions of chapter 431P,
16	Hawaii Revised Statutes, to the contrary, there is appropriated
17	out of the hurricane reserve trust fund the sum of \$
18	or so much thereof as may be necessary for fiscal year 2010-2011
19	to address the medicaid shortfall, including but not limited to,
20	reducing the number of months in the delay of payments to plans
21	and the providers of health care services, providing medicaid

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- 1 coverage to Compact of Free Association migrants, and addressing
- 2 the increase in medicaid enrollment.
- 3 In addition to the appropriation authorized in this
- 4 section, the department of human services is authorized to
- 5 expend up to \$ or so much thereof as may be necessary
- 6 for fiscal year 2010-2011 in matching federal funds for the
- 7 purposes of this section acquired through the American Recovery
- 8 and Reinvestment Act. Should the federal government extend the
- 9 enhanced FMAP funds, the department of human services is
- 10 authorized to expend \$ appropriated from the hurricane
- 11 reserve trust fund and \$ in matching federal funds
- 12 provided through the American Recovery and Reinvestment Act.
- 13 SECTION 6. The sum appropriated shall be expended by the
- 14 department of human services for the purposes of this Act.
- 15 SECTION 7. Statutory material to be repealed is bracketed
- 16 and stricken. New statutory material is underscored.
- 17 SECTION 8. This Act shall take effect on July 1, 2050.

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## Report Title:

Medicaid; Health Insurance; Payment

## Description:

Requires health insurers to promptly pay claims for services to medicaid recipients, by repealing the exemption for medicaid claims from the clean claims law. Requires the State to pay interest on delayed payments. Authorizes expenditures from the hurricane reserve trust fund and matching American Recovery and Reinvestment Act funds. Takes effect July 1, 2050. (SD1)

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