STAND. COM. REP. NO. **2420**

Honolulu, Hawaii

FEB 2 6 2010

RE: S.B. No. 2598

S.D. 2

Honorable Colleen Hanabusa President of the Senate Twenty-Fifth State Legislature Regular Session of 2010 State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2598, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INSURANCE,"

begs leave to report as follows:

The purpose of this measure is to require the State to pay interest on past due payments to a health plan with which it has contracted under the Medicaid program.

Your Committee received testimony in support of this measure from the Healthcare Association of Hawaii and Hawaii Medical Association. Testimony in opposition to this measure was received from the Department of Human Services and one private citizen. Testimony with comments was received from the Hawaii Medical Service Association. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure will create parity in contracts between the State and the private medical practitioners and insurers who provide care to Hawaii's low-income residents. Under existing law, a contractor has no recourse for delayed payments by the State, even when payments are mandated under the terms of a contract. Your Committee further finds that this measure will bring the State into parity with all other health insurers under the Clean Claims Act which requires timely payment of uncontested claims of all insurers except Medicaid.

Finally, your Committee finds that delayed payments by the State are harmful to both large contractors such as health maintenance organizations who incur extensive expenditures under large service contracts and to small providers such as independent doctors who are not able to absorb the losses and income disruptions caused by delays in payment. Your Committee finds that these hardships provide a disincentive to participation in the Medicaid program for medical providers of all types.

Your Committee has amended this measure by:

- (1) Adding a new section to include the interest requirement in chapter 103F, Hawaii Revised Statutes;
- (2) Adding a new provision that suspends accrual of interest where the failure to pay a claim is caused by a late payment to the payor entity by another government agency under another government program; and
- (3) Making nonsubstantive technical changes for the purposes of clarity and accuracy.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2598, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2598, S.D. 2.

Respectfully submitted on behalf of the members of the Committee on Commerce and Consumer Protection,

ROSALYN H. $oldsymbol{arphi}$ BAKER, Chair

The Senate Twenty-Fifth Legislature State of Hawaii

Record of Votes Committee on Commerce and Consumer Protection CPN

Bill / Resolution No.:* Co	mmittee Referral:	Dat	te: .(25/20	10
The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to:				
The Recommendation is:				
Pass, unamended Pass, with amendments Hold Recommit 2312 2311 2310 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	\checkmark			
IGE, David Y. (VC)				
ESPERO, Will			· · · · · · · · · · · · · · · · · · ·	
GREEN, M.D., Josh				
IHARA, Jr., Les				
SAKAMOTO, Norman				
HEMMINGS, Fred				
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TOTAL	5	0	0	À
Recommendation: Adopted Not Adopted				
Chair's or Designee's Signature: Amid Mala				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes