

Honolulu, Hawaii

FEB 26 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.



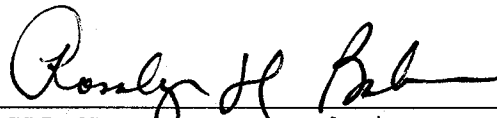
Finally, your Committee finds that delayed payments by the State are harmful to both large contractors such as health maintenance organizations who incur extensive expenditures under large service contracts and to small providers such as independent doctors who are not able to absorb the losses and income 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. BAKER, Chair



**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

\*Only one measure per Record of Votes