



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 12, 2013

TO: The Honorable Mele Carroll, Chair  
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 1035 - RELATING TO MEDICAID**

Hearing: Tuesday, February 12, 2013, 9:30 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of the bill is to prohibit non-profit and for-profit Medicaid health insurance contractors and the Med-QUEST Division of the Department of Human Services (DHS) from modifying reimbursement policies and guidelines without providing written notice of the change. This bill also prohibits retroactive application of changes if approval for the reimbursement was obtained from Medicaid or a Medicaid health insurance contractor prior to the effective date of the change in the notice.

**DEPARTMENT'S POSITION:** The Department of Human Services strongly opposes this bill.

The Med-QUEST Division (MQD), per federal regulations, is prohibited from instituting any rate or reimbursement changes to its fee schedule retroactively and has never done so. Fee schedule changes must be prospective and require publication of

a public notice and approval from the federal Centers for Medicare & Medicaid Services of a State Plan Amendment.

The DHS, however, is not just allowed but is expected to conduct retrospective reviews of paid claims, as part of our fraud and abuse detection program. Claims are reviewed to ensure they were paid for a covered service provided to an eligible beneficiary at the correct reimbursement amount. If the DHS identifies that a provider was overpaid, the Medicaid program is required by federal regulations to recover the overpayment from the provider and return the federal share to the federal government. The amount of overpayment is calculated based on the reimbursement rate at the time services were provided and not on the rate at the time the review was conducted, which may be several months later.

This bill potentially weakens the DHS' program integrity efforts in current and future cases by implying that the DHS has changed rates retrospectively which has never been the case. This bill is not necessary.

Thank you for the opportunity to testify on this bill.



**House Committee on Human Services**  
The Hon. Mele Carroll, Chair  
The Hon. Bertrand Kobayashi, Vice Chair

**Testimony in Support of HB 1035**  
**Relating to Medicaid**  
**Submitted by Robert Hirokawa, Chief Executive Officer**  
**February 12, 2013, 9:30am, Room 329**

The Hawai'i Primary Care Association, which represents community health centers in Hawai'i, **supports** House Bill 1035, Relating to Medicaid.

The purpose of this bill is to ensure that no Medicaid health insurance contractor shall modify Medicaid reimbursement policies without providing written notice and that no modification shall be implemented retroactively. Here in Hawaii, the Medicaid program represents the largest source of federal revenues in the state. In 2010 alone, that number was nearly \$2.0 billion. The program represents more than 270,000 patients across the state, including 48% of the patients served by community health centers.

For the sake of both the state and the consumers of healthcare found therein, it is of vital importance that Medicaid is run in an efficient and transparent manner. We thank you for the opportunity to testify.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 12, 2013

The Honorable Mele Carroll, Chair  
The Honorable Bertrand Kobayashi, Vice Chair

House Committee on Human Services

**Re: HB 1035 – Relating to Medicaid**

Dear Chair Carroll, Vice Chair Kobayashi, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1035 which prohibits Medicaid insurance contractors and the MedQuest Division (MQD) from (1) modifying reimbursement policies and guidelines without providing written notice of the change; and (2) retroactively applying a modification, regardless of the effective date of the modification. HMSA opposes this Bill.

HMSA already provides notice of policy and guideline changes, as may be required under our contract with the Department of Human Services. However, we certainly would be concerned about being prevented from retroactively applying any Center for Medicare and Medicaid Services (CMS) policy changes.

Health plan rates only are effective after approval from CMS. Each fiscal year, MQD submits to CMS actuarially certified rates for the new fiscal year based on the cost of care and utilization. The existing rates continue until the new rates are approved. However, many times CMS approval is not obtained until after the start of the new fiscal year. The new rate could reflect an increase, a decrease, or no change. Under this Bill, if the rate is lower than the previous year's rate, a plan would not be able to retroactively adjust the rate to accommodate the reduction, and the plan would have to assume that loss.

That said, there may be other "policies and guidelines" issues by CMS with mandated retroactive application. We are concerned that a State statutory prohibition of implementing a CMS mandate may pose additional concerns for the Medicaid program, its contractors, and providers.

Thank you for the opportunity to testify in opposition to this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a stylized flourish at the end.

Jennifer Diesman  
Vice President  
Government Relations



February 12, 2013  
9:30am  
Conference Room 329

To: The Honorable Rep. Mele Carroll, Chair  
The Honorable Rep. Bertrand Kobayashi, Vice Chair  
Committee on Human Services

From: Paula Arcena, Director of Public Policy  
Robert Toyofuku, Government Affairs

Re: HB1035 Relating to Medicaid

Thank you for the opportunity to testify.

HB1035 would prohibit nonprofit or for-profit Medicaid health insurance contractors and the MedQuest division of DHS, from modifying reimbursement policies and guidelines without providing written notice of the change. Further, the measure would prohibit retroactive application of changes if approval for the reimbursement was obtained from Medicaid or a Medicaid health insurance contractor prior to the effective date of the change in the notice.

AlohaCare appreciates the intent of this measure. However, we **oppose** the prohibition on retroactive application of changes.

We understand that changes in reimbursement policies and guidelines, can cause cash flow and administrative difficulties for providers and serve as a disincentive to accepting Medicaid patients. We sympathize because AlohaCare is often in the same position. Recent decisions to reduce reimbursement and the services covered by Medicaid have been due to state Medicaid budget cuts in response to Hawaii's economic downturn, reduced state tax revenue and an on-going effort to reduce the cost of Medicaid healthcare underwritten by Hawaii's tax payers.

We do our best to protect our providers and members from any negative fallout from reimbursement and policy changes. For example, in 2011, AlohaCare absorbed MedQUEST's 3% reduction to reimbursement for primary care providers rather than pass that reduction on.

For the large part, changes to reimbursement are beyond our control and due to the limitations of our state budget. Therefore, penalizing Medicaid health plans and forcing them to absorb retroactive reimbursement changes would not stop such changes from occurring.

We would also point out that retroactive adjustments in rates sometimes occur to the benefit of providers. For example, this year, the federally mandated increase in reimbursements to primary care providers which was to take effect January 1, 2013 was delayed while the federal government and state work out details of which providers are eligible and how the increase is to be processed. We expect that will lead to a retroactive payment to hundreds of providers. These sorts of retroactive payments are not uncommon, given the extremely complex regulatory structure in which Medicaid health plans operate.

We respectfully request the committee hold this bill.

Thank you for this opportunity to testify.

*AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.*

## kobayashi1-Joni

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 02, 2013 12:33 PM  
**To:** HUS testimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for HB1035 on Feb 12, 2013 09:30AM\*

**Categories:** Yellow Category

### **HB1035**

Submitted on: 2/2/2013

Testimony for HUS on Feb 12, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

### Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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## kobayashi1-Joni

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 02, 2013 10:49 AM  
**To:** HUS testimony  
**Cc:** emerald68reva@aol.com  
**Subject:** \*Submitted testimony for HB1035 on Feb 12, 2013 09:30AM\*

**Categories:** Yellow Category

### **HB1035**

Submitted on: 2/2/2013

Testimony for HUS on Feb 12, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Ruthie Agbayani	Individual	Support	No

### Comments:

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## kobayashi1-Joni

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 11, 2013 7:07 AM  
**To:** HUS testimony  
**Cc:** tabraham08@gmail.com  
**Subject:** \*Submitted testimony for HB1035 on Feb 12, 2013 09:30AM\*

**Categories:** Yellow Category

### **HB1035**

Submitted on: 2/11/2013

Testimony for HUS on Feb 12, 2013 09:30AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

### Comments:

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