SB2667

Measure Title:	RELATING TO INSURANCE.
Report Title:	Medicaid; Health Insurance; Payment
Description:	Requires health insurers to promptly pay clean claims for services and repeals the exemption of medicaid claims from the clean claims definition.
Companion:	HB1759
Package:	None
Current Referral:	CPH/HMS, WAM
Introducer(s):	BAKER, CHUN OAKLAND, GREEN, KIDANI, RUDERMAN, TOKUDA, English, Ihara, Kim

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TO THE SENATE COMMITTEES ON COMMERCE,
CONSUMER PROTECTION, AND HEALTH AND HUMAN SERVICES

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2016

Tuesday, February 16, 2016
1:15 p.m.

TESTIMONY ON SENATE BILL NO. 2667 – RELATING TO INSURANCE.

TO THE HONORABLE ROSALYN H. BAKER AND SUZANNE CHUN OAKLAND, CHAIRS, AND MEMBERS OF THE COMMITTEES:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department supports the intent of ensuring that Medicaid providers receive prompt payments for services rendered upon their submission of clean claims.

A "clean" claim is when a provider has submitted complete and undisputed information for an insurer to make a payment for a service provided on a covered benefit. What is uncertain are causes of delays for payments to providers from the Medicaid plans.

Possible reasons for the delays may be within the structural set-up of the federally approved plans or contractual requirements between the plans and providers. It is also unclear what effect the mandating of payments of clean Medicaid claims in a strict timeframe will have in the midst of existing contracts between the State and the federal government, the State and insurance plans, and plans and providers. The mandating of a new requirement might add a well-intentioned wrinkle to a process resulting in unintended delays.

We thank the Committees for the opportunity to present testimony on this matter.

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February 16, 2016

TO: The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

The Honorable Senator Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2667** - **RELATING TO INSURANCE**
Hearing: February 16, 2016; 1:15 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments on this measure.

PURPOSE: The purpose of this bill is to require health insurers to promptly pay clean claims for services and repeals the exemption of Medicaid claims from the clean claims definition.

The Med-QUEST Division's (MQD) QUEST Integration (QI) contracts, as well as previous QUEST and QExA contracts, already include language to require the managed care health plans to pay 90% of claims within 30 days and 99% of claims within 90 days. These contract requirements follow the Centers for Medicare and Medicaid Services (CMS) federal rules (42 CFR §447.45) governing timely payments for medical services under the Medicaid program.

For the quarter ending December 31, 2015, 99.2% of claims were paid within 30 days and 99.95% were paid within 90 days.

The Med-QUEST Division (MQD) believes that all providers participating in our Medicaid programs are very important as they provide vital services for the Department's recipients. Without their participation, the Department would not be able to provide needed

medical services in a timely manner—this is the reason for existing reporting requirements and why these metrics are closely monitored by MQD.

The proposed amendment to current statutes that grants an exemption to the Medicaid program is not needed. In addition, should CMS revise its requirements for the Medicaid program in the future, it could result in a conflict with federal requirements and the Hawaii Revised Statutes. The Med-QUEST Division is committed to working with plans and providers to continually improve services to recipients.

Thank you for the opportunity to testify on this measure.

February 16, 2016 at 1:15 PM
Room 016

Senate Committee on Commerce, Consumer Protection, and Health
Senate Committee on Human Services

To: Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

From: George Greene
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB 2667, Relating to Insurance

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 180 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

We would like to thank the committees for the opportunity to testify in **support** of SB 2667, which would create parity under Hawaii's clean claims law and require Medicaid insurers to promptly pay providers caring for enrollees. Specifically, this legislation would remove the exemption that Medicaid insurers have from the clean claims portion of section 431:13-108 of the Hawaii Revised Statutes (HRS). This change will help to mitigate the adverse impacts of delayed action on clean claims on providers.

Prompt payment of claims is vital to the operations of healthcare providers who rely on timely reimbursements to keep their doors open. Delays in cash flow jeopardize operations for all healthcare providers, but are especially problematic for smaller providers and those that care for a disproportionate share of Medicaid patients.

Under Hawaii's clean claims law, insurers must pay non-Medicaid clean claims within 15 days of receipt of an electronic claim, and within 30 days of a paper claim. Medicaid insurers do not have to follow those guidelines. Instead, the Department of Human Services only requires

Medicaid insurers to pay 90 percent of claims within 30 days, and 99 percent of claims within 90 days.

This standard is problematic for two reasons. First, the ten percent of Medicaid claims outstanding after 30 days and the one percent of Medicaid claims outstanding after 90 days typically represent a significant amount of dollars. After surveying our members, we found that the respondents have unpaid Medicaid clean claims that, in aggregate, total millions of dollars. Hospital respondents indicated that they have unpaid clean claims that total around $25 million. This is because those last one percent of Medicaid claims tend to be for bigger-cost services.

Second, in the current situation, Medicaid insurers do not have to come to a resolution on a Medicaid claim within a set period of time. While Medicaid insurers are required *pay* a percentage of their clean claims within certain time frames, there are no similar requirements for *resolving* Medicaid claims. Instead, our providers attest that Medicaid insurers will often mark a claim as insufficient and delay payment with no explanation. This means that providers must follow up for months in order to get resolution on claims for services already provided.

On the other hand, the clean claims law requires insurers to provide a resolution within a reasonable time frame on non-Medicaid claims. Under the regulations in HRS Section 431:13-108, insurers must either deny a payment within 30 days or request the specific information needed to process the non-Medicaid claim. This allows providers to get resolution on submitted non-Medicaid claims in a reasonable time frame, rather than having to pursue delayed claims for months on end. Medicaid insurers are not currently bound by this requirement, and are subsequently able to "sit on" and delay payments for long periods of time.

Providers should not be expected to "float" the costs of care. This is especially important since the *Affordable Care Act* expanded eligibility for the Medicaid program. Enrollees in the program total over 325,000 individuals, meaning that one out of every four patients in Hawaii treated by providers are covered by Medicaid insurers. Delays in payments for this population can be very difficult for providers to endure.

This legislation is also necessary to ensure that Medicaid insurers are consistently held to high standards regarding prompt payment of Medicaid claims. The issue ebbs and flows depending on the amount of oversight exercised by outside agencies over this process. However, no permanent solution has been reached, much to the disservice of physicians and providers in the state.

In order to support providers and ensure that payment for services for Medicaid enrollees is provided promptly, HAH requests your support for this legislation. Thank you for your consideration of this important matter.

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February 15, 2016

To: The Honorable Rosalyn Baker
Chair, Senate Committee on Consumer Protection and Health

The Honorable Suzanne Chun Oakland
Chair, Senate Committee on Human Services

From: ‘Ohana Health Plan
Wendy Morriarty, State President

Re: SB 2667, Relating to Insurance; **Comments**
February 16, 2016; Conference Room 016

‘Ohana Health Plan (‘Ohana) is a member of the WellCare Health Plans, Inc.’s (“WellCare”) family of companies and provides healthcare for Hawai’i residents statewide. Since 2009, ‘Ohana has utilized WellCare’s national experience to develop a Hawai’i -specific care model that addresses local members’ healthcare and health coordination needs. By focusing on the state’s Medicaid and Medicare population, ‘Ohana serves Hawaii’s most vulnerable residents: low-income, elderly, disabled, and individuals with complex medical issues. ‘Ohana’s mission is to help our members’ lead better, healthier lives.

‘Ohana Health Plan appreciates the opportunity to submit **comments about SB 2667**. We share the same goal as the State to ensure that all clean claims are paid timely. Hawaii’s Medicaid health plans are required to submit monthly claims reports to DHS, and data shows that nearly all claims are paid on time. ‘Ohana pays approximately 99% of clean claims on time with an average turnaround time of about 7 days (paper and electronic). When a delay occurs on our end in the processing and payment of a clean claim, we pay an interest rate of 5.25%.

Thank you for the opportunity to submit testimony on this measure.

THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Rosalyn H. Baker, Chair, Committee on Commerce, Consumer Protection & Health
The Honorable Michelle N. Kidani, Vice Chair, Committee on Commerce, Consumer Protection & Health
Members, Senate Committee on Commerce, Consumer Protection & Health

The Honorable Suzanne Chun Oakland, Chair, Committee on Human Services
The Honorable Gil Riviere, Vice Chair, Committee on Human Services
Members, Senate Committee on Human Services

From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: February 12, 2016
Hrg: Senate Committee on Commerce, Consumer Protection & Health and Senate Committee on Human Services Joint Hearing; Tuesday, February 16, 2016 at 1:15pm in Room 016

Re: **Support for SB 2667, Relating to Insurance**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems. I would like to express my **support** for SB 2667, Relating to Insurance. This bill requires health insurers to promptly pay clean claims for services and repeals the exemption of Medicaid claims from the clean claims definition.

At Queen's we are committed to providing care for Hawaii's most underserved. We concur with the testimony provided by the Healthcare Association of Hawaii (HAH) that prompt payment of clean claims is important to an efficient and effective health care system in Hawaii.

This bill will help to mitigate the adverse impacts of delayed health insurer payments on clean claims that we and other health care providers submit. The need for this legislation has become increasingly important since the *Affordable Care Act* has swelled the ranks of the state's Medicaid program. Since 2009, the number of Medicaid enrollees has increased by over 100,000 individuals, a 45 percent increase, to over 320,000 individuals. This measure will help to ensure that Queen's can continue to serve Hawaii's underserved without needing to float the costs of their care.

I commend the legislature for introducing this measure and urge you to continue supporting prompt payment for clean claims.

Thank you for your time and attention to this important issue.