

JAN 26 2022

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# A BILL FOR AN ACT

RELATING TO HEALTH.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that Hawaii has long been  
2 a leader in advancing medical services and health care,  
3 advocating the importance of access to health care without  
4 discrimination, and implementing forward-thinking health care  
5 policy such as the Hawaii Prepaid Health Care Act of 1974. It  
6 is in the best interest of the State for each and every  
7 beneficiary of med-QUEST, the Hawaii medicaid program, to have  
8 publicly provided, high quality, and affordable health care.

9           Health care involves more than just medical insurance  
10 payouts, but also includes cost-saving preventative and early  
11 intervention measures, dental services, and mental illness  
12 treatment to prevent medical health conditions from becoming  
13 chronic, permanently disabling, or fatal. Under Hawaii's  
14 current health care insurance system, patients encounter many  
15 challenges to their medical care, including requirements for  
16 prior authorizations, formulary restrictions, and networks with  
17 limited physician participation. This system also burdens



1 physicians and hospitals with administrative demands such as pay  
2 for performance, pay for documentation, and capitation, all of  
3 which require much more detailed documentation and data  
4 reporting while controlling and restricting payment for primary  
5 care in particular, which results in physicians being driven out  
6 of practice or leaving the State.

7       The legislature further finds that health care rates are  
8 skyrocketing, creating an affordability and accessibility crisis  
9 for Hawaii's residents. The two largest cost drivers of health  
10 care in the United States and Hawaii are high administrative  
11 costs due to reliance on a competitive insurance business model  
12 and the high cost of prescription drugs. For more than a  
13 quarter of a century, Hawaii was far ahead of most other states  
14 and often called itself the "health state" because of the  
15 Prepaid Health Care Act and for having a low percentage of  
16 residents without health insurance, which in 1994 was between  
17 two and five per cent.

18       The legislature also finds that as a result of the COVID-19  
19 pandemic, thousands of Hawaii residents have lost their jobs and  
20 health insurance, making it critical for the State to support  
21 struggling families by ensuring preventative care and limiting



1 out-of-pocket costs. The safeguarding of access to health care,  
2 solidification of the essential health benefits that have  
3 changed thousands of lives, and improvement of overall access to  
4 care requires the preservation of certain important aspects of  
5 the federal Patient Protection and Affordable Care Act and the  
6 expansion of access to care for residents of Hawaii.

7       Nationally, health insurance plans paid per member with  
8 risk adjustment based on diagnoses, such as Hawaii's medicaid  
9 managed care plans, are currently the subject of multiple  
10 federal Department of Justice investigations regarding  
11 fraudulent upcoding to secure higher payments by gaming risk  
12 adjustment formulas. Medicaid managed care plans have been  
13 found to report participating provider lists that are grossly  
14 inaccurate, including listing many physicians who are no longer  
15 in practice and in some cases are deceased, and listing many  
16 physicians who will not actually accept new patients covered by  
17 the medicaid managed care plans.

18       Accordingly, the purpose of this Act is to require the  
19 auditor to conduct a comprehensive study of the managed care  
20 organizations that administer the medicaid program in the State.



1 SECTION 2. (a) The auditor shall conduct a study that  
2 includes:

3 (1) A financial analysis of managed care organizations  
4 that administer the medicaid program by auditing:

5 (A) Amounts paid for direct health care services,  
6 including laboratory and other testing services;

7 (B) Amounts paid for quality improvement under the  
8 federal Patient Protection and Affordable Care  
9 Act; and

10 (C) Amounts paid for administrative services,  
11 including a breakdown of:

12 (i) Medical management administrative costs;

13 (ii) Payment reform administrative costs; and

14 (iii) Payments to providers of health care;

15 (2) An assessment of network adequacy among medicaid  
16 managed care plans, by conducting "secret shopper"  
17 surveys to determine how many physicians the plans  
18 claim to be network providers are actually accepting  
19 patients insured by the medicaid managed care plans;  
20 and



1           (3) An assessment of the extent of upcoding by medicaid  
2           managed care plans to increase payments from Hawaii  
3           med-QUEST based on risk adjustment formulas that  
4           reward an overdiagnosis.

5           (b) The auditor shall submit a report of its findings and  
6           recommendations, including any proposed legislation, to the  
7           legislature no later than twenty days prior to the convening of  
8           the regular session of 2023.

9           SECTION 3. There is appropriated out of the general  
10          revenues of the State of Hawaii the sum of \$                    or so  
11          much thereof as may be necessary for fiscal year 2022-2023 for a  
12          comprehensive study of the managed care organizations that  
13          administer the medicaid program in the State.

14          The sum appropriated shall be expended by the auditor for  
15          the purposes of this Act.

16          SECTION 4. This Act shall take effect on July 1, 2022.

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INTRODUCED BY:



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# S.B. NO. 3258

**Report Title:**

Auditor; Study; Medicaid Managed Care; Med-QUEST

**Description:**

Requires the auditor to conduct a comprehensive study of managed care organizations that administer the medicaid program in the State.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

