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A BILL FOR AN ACT

RELATING TO THE DEPARTMENT OF HEALTH.

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

1 SECTION 1. Chapter 334, Hawaii Revised Statutes, is  
2 amended by adding to part IV a new section to be appropriately  
3 designated and to read as follows:

4 "§334- Psychiatric facility; procurement of and payment  
5 of expenses for medical care and long-term care. (a) Rates of  
6 payments for medical care for patients of the Hawaii state  
7 hospital and for patients under the custody of the director at a  
8 psychiatric facility other than the Hawaii state hospital shall  
9 be limited to the Hawaii medicaid fee schedule or the provider's  
10 billed amount, whichever is less.

11 (b) The department may establish rates of payment for  
12 long-term care services provided for patients who are discharged  
13 to a long-term care facility from the Hawaii state hospital or  
14 from a psychiatric facility other than the Hawaii state hospital  
15 where they were under the custody of the director.

16 (c) The department shall be exempt from chapter 103F for  
17 the procurement of medical care for patients of the Hawaii state  
18 hospital and for patients of a psychiatric facility other than

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1 the Hawaii state hospital who are under the custody of the  
2 director, and for the procurement of long-term care for patients  
3 discharged to a long-term care facility from the Hawaii state  
4 hospital or from a psychiatric facility other than the Hawaii  
5 state hospital where they were under the custody of the  
6 director.

7 (d) For the purposes of this section:

8 "Long-term care" means care provided by a long-term care  
9 facility.

10 "Long-term care facility" shall have the same meaning as in  
11 section 349-21.

12 "Medical care" means examination, diagnosis, or treatment  
13 for medical and dental conditions to include outpatient and  
14 hospital-based services as well as appliances and supplies  
15 deemed clinically necessary by the department, and does not  
16 include long-term care."

17 SECTION 2. This Act does not affect rights and duties that  
18 matured, penalties that were incurred, and proceedings that were  
19 begun before its effective date.

20 SECTION 3. New statutory material is underscored.

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1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: *André K. Pichon*

4

BY REQUEST

JAN 21 2025

# H.B. NO. 1124

**Report Title:**

DOH; Hawaii State Hospital; Psychiatric Facility; Long-term Care Facility; Payment; Medicaid; Procurement Exemption

**Description:**

Establishes maximum rates of payment for medical care for patients of the Hawaii State Hospital or of another psychiatric facility who are under the custody of the Director of Health. Authorizes the Department of Health to establish long-term care payment rates for patients discharged to a long-term care facility from the Hawaii State Hospital or another psychiatric facility where they were under the custody of the Director of Health. Exempts the Department of Health from chapter 103F, HRS, for the procurement of medical care and long-term care for patients who are or were under the custody of the Director of Health at the Hawaii State Hospital or a psychiatric facility.

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

JUSTIFICATION SHEET

DEPARTMENT: Health

TITLE: A BILL FOR AN ACT RELATING TO THE DEPARTMENT OF HEALTH.

PURPOSE: To establish maximum payment amounts paid by the Department for medical care provided for patients of the Hawaii State Hospital (HSH) or at a psychiatric facility other than the HSH where they are under the custody of the Director of Health; authorize the Department to establish rates of payment for long-term care services provided for patients who are discharged to a long-term care facility from the HSH or from a psychiatric facility other than the HSH where they were under the custody of the director; and exempt the Department from chapter 103F, Hawaii Revised Statutes (HRS), for the procurement of medical care for patients of the HSH and for patients under the custody of the Director of Health at a psychiatric facility other than the HSH, and for the procurement of long-term care for patients from the HSH and for patients under the custody of the Director of Health from a psychiatric facility other than the HSH who are discharged to a long-term care facility.

MEANS: Add a new section to part IV of chapter 334, HRS.

JUSTIFICATION: This bill is needed to reduce administrative burdens on HSH, improve the timeliness of reimbursement to non-Department healthcare providers treating HSH patients, and more appropriately place patients in the custody of the Director of Health in care settings based on their clinical needs.

There is currently no standard rate of reimbursement for healthcare providers who provide medical care to patients under the custody of the Director of Health, as each rate is individually negotiated. Limiting

reimbursement rates to the Medicaid fee schedule, which is a consistent and transparent standard, will save the State money since Medicaid rates are likely to be lower than individually negotiated rates.

Authorizing a Medicaid fee schedule also creates the opportunity for the Department to improve the timeliness of payments. Currently, reimbursement of individually negotiated rates may take up to two years since they are manually processed. This contrasts with the healthcare industry standard of filing claims on common forms using nationally recognized codes, where a claim may be processed in a matter of days or weeks. Adopting a Medicaid standard thus allows the Department to contract with fiscal intermediaries offering Medicaid billing services, as opposed to manual invoice adjudication by the Department's staff.

Long-term care for patients under the custody of the Director of Health who meet the criteria for institutional levels of care in long-term care facilities faces challenges. Unlike medical care for which there are numerous healthcare provider options, long-term care facilities are much fewer in number. Attempts to establish more consistent access to long-term care facilities were unsuccessful due to the lack of bidders to a recent request for proposals issued by the Department. As a result, the Department recognizes the need to compete with market forces and requires the authorization and flexibility to negotiate long-term care rates for which state procurement is not well suited. The ability to place a patient under the custody of the Director of Health in the most appropriate setting as quickly as possible is cost-effective and increases access to higher levels of care for other patients such as civil commitments.

Impact on the public: Healthcare providers providing medical care to these patients would be expected to be able to submit claims within their usual business practices and receive timelier payment.

Ensuring patients receive care in the most appropriate setting will help provide capacity for the HSH to care for other patients potentially including those with civil commitments.

Impact on the department and other agencies: The administrative burden on the Department of calculating different reimbursement rates would be decreased. The Department plans to use the same fiscal agent to process claims that MedQUEST Division (MQD) uses for processing claims for the Medicaid program. The impact to MQD would be minimal because there would be a separate contract and the claims processing would essentially be the same work that the contractor currently does for MQD, so it would not detract from the work the provider does for MQD.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: HTH 430.

OTHER AFFECTED  
AGENCIES: Department of Human Services.

EFFECTIVE DATE: Upon approval.