

**ACT 29**

S.B. NO. 1111

A Bill for an Act Relating to Reimbursement for Noninstitutional Providers of Medical Care for Services.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. Pursuant to section 346-59, Hawaii Revised Statutes, the department of human services determines the rates of payment to all Medicaid providers of medical care, and pays those amounts in accordance with the requirements of the appropriations act and the Social Security Act, as amended.

The purpose of this Act is to allow the department to change from the current method of reimbursement to non-institutional providers of medical care, which is based on the charges of providers in a specialty, to rates established by a fee schedule similar to that used by Medicare. The new fee schedule shall be referred to as the "Hawaii Medicaid fee schedule."

While modeled after the Medicare fee schedule, the fee schedule established by the department shall not adopt the Medicare reimbursement rates. Rather, the fee schedule shall reflect rates based on a percentage of the Medicare fee schedule for the year 2000. The percentage shall be based on legislative appropriation. Reimbursement rates for services not covered by Medicare shall also be included in the fee schedule. For the conversion to the new fee schedule and for future adjustments to the fee schedule, rates for non-Medicare services shall be adjusted in a manner equitable to rates for services covered by Medicare.

SECTION 2. Section 346-59, Hawaii Revised Statutes, is amended to read as follows:

**"§346-59 Medical care payments.** (a) The department shall adopt rules under chapter 91 concerning payment to providers of medical care. The department shall determine the rates of payment due to all providers of medical care, and pay such amounts in accordance with the requirements of the appropriations act and the Social Security Act, as amended. Payments to critical access hospitals for services rendered to medicaid beneficiaries shall be calculated on a cost basis using medicare reasonable cost principles.

(b) Rates of payment to providers of medical care who are individual practitioners, including doctors of medicine, dentists, podiatrists, psychologists, osteopaths, optometrists, and other individuals providing services, shall be based upon the ~~[most current profile available of customary fees and the percentage of the profile in proportion to the funds appropriated by the legislature.]~~ Hawaii Medicaid fee schedule. The amounts paid shall not exceed the maximum permitted to be paid individual practitioners or other individuals under federal law and regulation ~~[and shall not exceed the reasonable charge under the medicare program, based on the same profile base year selected by the legislature for the medicaid profiles],~~ the Medicare fee schedule for the current year, the state limits as provided in the appropriation act, ~~[and]~~ or the provider's billed amount.

The appropriation act shall indicate the percentage of the Medicare fee schedule for the year 2000 to be used as the basis for ~~[the appropriation of each fiscal year.]~~ establishing the Hawaii Medicaid fee schedule. ~~[If that percentage has been adjusted by the legislature,]~~ For any subsequent adjustments to the fee schedule, the legislature shall specify the extent of the adjustment in the appropriation act.

~~[This section notwithstanding, providers shall not be reimbursed an amount less than their existing payment rates unless a reduction is specifically intended and required by law.]~~

(c) In establishing the payment rates for other noninstitutional items and services, the rates shall not exceed the current Medicare ~~[reasonable charge,]~~ payment, the state limits as provided in the appropriation act, the rate determined by the department, ~~[and]~~ or the provider's billed amount.

~~[(d) Notwithstanding any other provisions of this chapter, the department may establish a demonstration project which guarantees a six-month enrollment in a health maintenance organization under a risk contract and designated as such by the United States Department of Health and Human Services for those eligible public assistance recipients who voluntarily agree to participate in the project.]~~

(e) ~~(d)~~ Payments to health maintenance organizations and prepaid health plans with which the department executes risk contracts for the provision of medical

care to eligible public assistance recipients may be made on a prepaid basis. The rate of payment per participating recipient shall be fixed by contract, as determined by the department and the health maintenance organization or the prepaid health plan, but shall not exceed the maximum permitted by federal rules and shall be less than the federal maximum when funds appropriated by the legislature for such contracts require a lesser rate. For purposes of this subsection, “health maintenance organizations” are entities approved as such, and “prepaid health plans” are entities designated as such by the Department of Health and Human Services; and “risk” means the possibility that the health maintenance organization or the prepaid health plan may incur a loss because the cost of providing services may exceed the payments made by the department for services covered under the contract.

~~[(f)]~~ (e) The department shall prepare each biennial budget request for a medical care appropriation based upon the most current [~~customary fee profile~~] Hawaii Medicaid fee schedule available at the time the request is prepared.

The director shall submit a report to the legislature on or before January 1 of each year indicating an estimate of the amount of money required to be appropriated to pay providers at the maximum rates permitted by federal and state rules in the upcoming fiscal year.’’

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on April 1, 2002.

(Approved April 25, 2001.)