VETO

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2009
STATE OF HAWAII

H.B. NO. 1525 H.D. 1 S.D. 2 C.D. 1

A BILL FOR AN ACT

VETO OVERRIDE

Act No. 12
Approved: [signature]
Dated: July 15, 2009

RELATING TO MEDICAID.

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

SECTION 1. Recently, the state department of human services contracted for the administration of a new managed care program, QUEST Expanded Access, for the aged, blind, and disabled population. Of the awarded contracts, two went to for-profit insurance companies to provide medicaid coverage for Hawaii's thirty-seven thousand aged, blind, and disabled residents. Several states have found a number of serious violations of law and instances of medicaid fraud in administering similar medicaid programs through for-profit insurance companies. Medicaid fraud squanders limited funds, threatens safety, and cheats American taxpayers, which inhibits government efforts to obtain needed healthcare and services for aged, blind, and disabled residents. As a result, legislation has been proposed throughout the United States that permits only nonprofit and government-related entities to bid on medicaid contracts.

The department of human services has determined that the State may contract with for-profit entities to provide medicaid health insurance plans under the QUEST Expanded Access program. However, it is important to the taxpayers of the State of Hawaii that state laws and rules give state agencies latitude to determine the reasonableness of administrative spending for for-profit health insurance plans. It is also important to the taxpayers that for-profit corporations providing health insurance for Hawaii's medicaid clients understand Hawaii's cultural history of caring for those who are less fortunate.

For-profit entities that are willing to do business in the State of Hawaii with the cultural understanding and compassion that Hawaii as the "Health State" has fostered, should be willing to disclose all financial activities of its Hawaii subsidiaries and its national corporate entities as a gesture of good faith and local corporate integrity.

The purpose of this Act is to require all future Medicaid health insurance procurement contracts to be awarded only to qualified nonprofit and for-profit entities that comply with specified reporting requirements.

1 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:
4 "**§103F- Medicaid contracts; nonprofits and for-profits;**
5 **reporting requirements.** (a) All nonprofit or for-profit
6 medicaid healthcare insurance contractors, within one hundred
7 and eighty days following the close of each fiscal year, shall
8 submit an annual report to the department of human services, the
9 insurance division of the department of commerce and consumer
10 affairs, and the legislature. The report shall be attested to
11 by a plan executive located within the state and shall be made
12 accessible to the public.
13 The report shall be based on contracts administered in the
14 state and shall include:
15 (1) An accounting of expenditures of MedQuest contract
16 payments for the contracted services, including the
17 percentage of payments:
18 (A) For medical services;
19 (B) For administrative costs;
20 (C) Held in reserve; and
21 (D) Paid to shareholders;

(2) Employment information including:

(A) Total number of full-time employees hired for the contracted services;

(B) Total number of employees located in the state and the category of work performed; and

(C) The compensation provided to each of the five highest paid Hawaii employees and to each of the five highest paid employees nationwide, and a description of each position;

(3) Descriptions of any on-going state or federal sanction proceedings, prohibitions, restrictions, on-going civil or criminal investigations, and descriptions of past sanctions or resolved civil or criminal cases, within the past five years and related to the provision of medicare or medicaid services by the contracting entity, to the extent allowed by law;

(4) Descriptions of contributions to the community, including the percentage of revenue devoted to Hawaii community development projects and health enhancements; provided that contracted services shall not be included in the percentage calculation; and

(5) A list of any management and administrative service contracts for MedQuest services made in Hawaii and outside of the state, including a description of the purpose and cost of those contracts.

(b) The department of human services shall include in all medicaid healthcare insurance plan contracts, the annual reporting requirements of subsection (a).

(c) Any contract under this section shall be governed by the laws of the State of Hawaii.

(d) Within ninety days of receipt of the reports required by this section, the department of human services shall provide a written analysis and comparative report to the legislature."

SECTION 3. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun, before its effective date.

SECTION 4. New statutory material is underscored.

SECTION 5. This Act shall take effect on July 1, 2009.