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# A BILL FOR AN ACT

RELATING TO MEDICAID.

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

1           SECTION 1. Recently, the State department of human  
2 services contracted for the administration of a new managed care  
3 program, QUEST Expanded Access, for the aged, blind, and  
4 disabled population. Of the awarded contracts, only two went to  
5 for-profit insurance companies to provide medicaid coverage for  
6 Hawaii's 37,000 aged, blind, and disabled residents. Several  
7 states have found a number of serious violations of law and  
8 instances of medicaid fraud in administering similar medicaid  
9 programs through for-profit insurance companies. As a result,  
10 legislation has been proposed throughout the United States that  
11 permits only nonprofit and government-related entities to bid on  
12 medicaid contracts.

13           The department of human services has determined that for-  
14 profit entities are allowable entities to contract medicaid  
15 health insurance plans under the QUEST Expanded Access program.  
16 However, it is important to the taxpayers of the State of Hawaii  
17 that there are state laws and rules that give state agencies

1 latitude to determine the reasonableness of administrative  
2 spending for for-profit health insurance plans. It is also  
3 important to the taxpayers that for-profit corporations  
4 operating in the State of Hawaii and providing health insurance  
5 for Hawaii's medicaid clients understand Hawaii's cultural  
6 history of caring for those that are less fortunate.

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

13 The purpose of this Act is to require all future medicaid  
14 health insurance procurement contracts to be awarded only to  
15 qualified nonprofit and for-profit entities with reporting  
16 requirements to the administrative agencies.

17 SECTION 2. Chapter 103F, Hawaii Revised Statutes, is  
18 amended by adding a new section to be appropriately designated  
19 and to read as follows:

20 **"§103F- Procurement of medicaid contracts; nonprofits**  
21 **and for-profits; reporting requirements.** (a) The department of  
22 human services shall solicit proposals for the procurement of

1 all medicaid health care insurance contracts in the State solely  
2 from nonprofit or for-profit entities that comply with the  
3 following annual reporting requirements:

4 (1) All nonprofit or for-profit entities shall submit a  
5 certified audit report for the contracted services  
6 provided to the State within one hundred and eighty  
7 days following each fiscal year to the department of  
8 human services, insurance division of the department  
9 of commerce and consumer affairs, and the legislature,  
10 and shall be made accessible to the public;

11 (2) Information shall be provided based on contracts  
12 administered in the State, with reports based on the  
13 expenditure of revenue, audit reports for:

14 (A) Medical loss ratio: percentage of revenue for  
15 medical services;

16 (B) Administrative costs: percentage of revenue for  
17 administrative costs;

18 (C) Profit margin: percentage of revenue held in  
19 reserves or paid to shareholders;

20 (D) Return to investors: percentage of revenue paid  
21 to shareholders;

- 1           (E) Full time equivalent employees: total number of  
2           full time employees related to relevant  
3           contracted services;
- 4           (F) Total number of employees located in the State  
5           and indicate the category of work performed;
- 6           (G) Description of any on-going state or federal  
7           sanction proceedings, on-going civil or criminal  
8           investigations, and past sanctions or resolved  
9           civil or criminal cases, to the extent as may be  
10           allowed by law;
- 11           (H) Total compensation provided for the five highest  
12           paid Hawaii employees and five highest nationwide  
13           employees; and
- 14           (I) List of any management and administrative service  
15           contracts with entities outside of the State.
- 16           (b) Within ninety days of receipt of the reports submitted  
17           pursuant to subsection (a), the department of human services  
18           shall provide a written analysis and comparative report to the  
19           legislature. The legislature may conduct hearings, and review  
20           the reports and provided analysis, during the following  
21           legislative session, as deemed necessary."

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

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect on January 1, 2016.

**Report Title:**

Medicaid; Procurement; Health and Human Services

**Description:**

Requires the department of human services to award medicaid contracts to nonprofit and for-profit entities which comply with specified reporting requirements. Effective 1/1/2016. (SD1)