
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 contracts in the State solely from nonprofit or
2 for-profit entities that comply with the following annual
3 reporting requirements; provided that all disclosure
4 requirements shall be certified by the insurance commissioner:

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

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

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

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

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

21 (D) Return to investors: percentage of revenue paid
22 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 (G) Total number of employees located in other
6 states, including a description of positions;
- 7 (H) Description of any on-going state or federal
8 sanction proceedings, on-going civil or criminal
9 investigations, and past sanctions or resolved
10 civil or criminal cases, to the extent as may be
11 allowed by law;
- 12 (I) Descriptions of contributions to the community:
13 percentage of revenue devoted to Hawaii community
14 development projects and health enhancements;
15 provided that contracted services shall not be
16 included in the percentage calculation;
- 17 (J) Total compensation provided for the five highest
18 paid Hawaii employees and five highest nationwide
19 employees;
- 20 (K) List of any management and administrative service
21 contracts with entities outside of the State,

1 including a description of the purpose and cost
2 of those contracts; and

3 (L) Political contributions, including the entity and
4 executive staff to Hawaii elected officials for
5 the previous four years, to the extent as may be
6 allowed by law.

7 (b) Within ninety days of receipt of the reports submitted
8 pursuant to subsection (a), the department of human services
9 shall provide a written analysis and comparative report to the
10 legislature. The legislature may conduct hearings, and review
11 the reports and provided analysis, during the following
12 legislative session, as deemed necessary."

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

16 SECTION 4. New statutory material is underscored.

17 SECTION 5. This Act shall take effect on January 1, 2050.

H.B. NO. 1525
H.D. 1
S.D. 1
Proposed

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. (SD1)

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