



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
Med-QUEST Division-Finance Office
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Kapolei, Hawaii 96707

March 3, 2009

MEMORANDUM

TO: Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce and Consumer Protection

FROM: Lillian B. Koller, Director

SUBJECT: **S. B. 917, SD 1 – RELATING TO THIRD PARTY LIABILITY FOR MEDICAID**
Hearing: Tuesday, March 3, 2009 9:30 am
Conference Room 229, State Capitol

PURPOSE: The purpose of this bill is to ensure State compliance with Federal law that requires the strengthening of the State's ability to identify and obtain payments from third party resources that are legally responsible to pay claims primary to Medicaid.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration-sponsored bill.

Medicaid is designed to be the provider of last resort. However, there are some statutory loopholes through which third parties have been able to avoid paying before Medicaid. This bill amends the current statutes and will enhance the DHS efforts to successfully obtain third party payments for Medicaid recipients thus reducing unnecessary State expenditures.

Section 3 of this bill adds a definition of “First party” to section 346-1, Hawaii Revised Statutes (HRS). DHS recommends the deletion of this definition as it does not appear anywhere in chapter 346, HRS, and does not relate to the changes being proposed in this bill.

As originally intended, this bill proposed to clarify the third party insurer requirements to 1) provide the State requested information on the third party coverage, 2) accept the State’s right of recovery and the assignment to the State of any right of an entity to payments, 3) respond to any State inquiry regarding a claim for payment that is submitted not later than three years after the date of service, and 4) agree not to deny a State claim submitted under certain situations.

Currently, approximately \$4.8 million is recovered annually from third party liability payments, probate and cost avoidance activities. This bill will enhance these recovery efforts to increase the amount of third party recoveries therefore reducing the unnecessary payment in State and Federal expenditures for Medicaid recipients.

This bill ensure that the State is compliant with P.L. 109-171, the federal Deficit Reduction Act of 2005 (DRA), section 6035, that requires the strengthening of the State’s ability to identify and obtain payments from third party resources that are legally responsible to pay claims primary to Medicaid.

Thank you for this opportunity to testify.