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# A BILL FOR AN ACT

RELATING TO INSURANCE.

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

1           SECTION 1. Medicaid is a state program that provides  
2 health care to certain low-income individuals and families. The  
3 State sets the criteria for eligibility, determines the services  
4 that are available, and administers the program. As with all  
5 states, Hawaii's medicaid program is funded in large part by the  
6 federal government.

7           Medicaid operates in partnership with Hawaii's health care  
8 providers, as it does not employ health care practitioners, but  
9 rather, pays health care providers for services rendered to  
10 medicaid participants.

11           Prior to 1994, medicaid paid providers directly on a fee-  
12 for-services basis. In 1994, the Quest program was implemented  
13 to provide health care to many medicaid participants through a  
14 managed care approach. The State now contracts with health care  
15 insurance plans and pays each plan a capitated amount for each  
16 participant. The health plans in turn pay providers that  
17 deliver care to medicaid participants.



1 QuestEx was implemented to provide care on a managed care  
2 basis to the medicaid aged, blind, and disabled population.  
3 Since QuestEx began operating, health care providers have  
4 experienced many cases of delayed payments from health care  
5 plans contracted by the State. As a result of the delays, many  
6 providers have experienced severe financial difficulties that  
7 impact the providers' ability to deliver quality care.

8 The "clean claims" law found in section 431:13-108, Hawaii  
9 Revised Statutes, requires health plans to pay providers on a  
10 timely basis when uncontested claims are submitted.  
11 Specifically, the law requires payments to be made within thirty  
12 days for clean claims submitted in writing, and within fifteen  
13 days for clean claims submitted electronically.

14 However, the law contains an exemption for medicaid. As a  
15 result, health plans contracted by the State under medicaid may  
16 delay payments without penalty while health care providers are  
17 left to suffer.

18 The purpose of this Act is to:

- 19 (1) Repeal the exemption for health plans contracted by  
20 the State under medicaid from the clean claims law;  
21 and



1           (2) Require the Department of Human Services to pay those  
2           health plans with interest when payment is delayed  
3           past the terms of the contract, except under certain  
4           circumstances beyond the department's control.

5           SECTION 2. Chapter 346, Hawaii Revised Statutes, is  
6           amended by adding a new section to be appropriately designated  
7           and to read as follows:

8           "§346-    Medicaid payments. (a) The department shall pay  
9           health plans with which it has contracted under its medicaid  
10           program according to the terms of the contracts. In the event  
11           that circumstances prevent the department from complying with  
12           this section, the department shall pay the health plan interest  
13           on any amounts remaining unpaid at a rate equal to fifteen per  
14           cent per year, commencing on the date payment is due and ending  
15           on the date payment is fully satisfied.

16           (b) This section shall not apply in those cases where  
17           delay in payment is due to:

18           (1) A bona fide dispute between the State or any county  
19           and the health plan concerning the services or goods  
20           contracted for;

21           (2) A labor dispute;

22           (3) A power or mechanical failure;



1        (4) Fire; or

2        (5) Acts of God."

3            SECTION 3. Section 431:13-108, Hawaii Revised Statutes, is  
4 amended by amending the definition of "clean claim" in  
5 subsection (j) to read as follows:

6            "Clean claim" ~~[means]~~:

7            (1) Means a claim in which the information in the  
8 possession of an entity adequately indicates that:

9            ~~[(1)]~~ (A) The claim is for a covered health care service  
10 provided by an eligible health care provider to a  
11 covered person under the contract;

12            ~~[(2)]~~ (B) The claim has no material defect or impropriety;

13            ~~[(3)]~~ (C) There is no dispute regarding the amount claimed;  
14 and

15            ~~[(4)]~~ (D) The payer has no reason to believe that the claim  
16 was submitted fraudulently.

17 ~~[The term does]~~ (2) Does not include:

18            ~~[(1)]~~ (A) Claims for payment of expenses incurred during a  
19 period of time when premiums were delinquent;

20            ~~[(2)]~~ (B) Claims that are submitted fraudulently or that  
21 are based upon material misrepresentations; and

22            ~~[(3) Medicaid or Medigap claims; and~~



1       ~~(4)~~] (C) Claims that require a coordination of benefits,  
2                               subrogation, or preexisting condition  
3                               investigations, or that involve third-party  
4                               liability."

5               SECTION 4. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7               SECTION 5. This Act shall take effect on July 1, 2020.



**Report Title:**

Medicaid; Health Insurance; Payment

**Description:**

Requires health insurers to promptly pay claims for services to medicaid recipients, by repealing the exemption for medicaid claims from the clean claims law. Requires the Department of Human Services to pay health plans with interest when payment is delayed, except under certain circumstances beyond the department's control. Effective July 1, 2020. (HB2208 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

