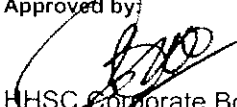


 HAWAII HEALTH SYSTEMS C O R P O R A T I O N "Touching Lives Everyday" Policy and Procedures	Department: Corporate Finance	Policy No.: FIN 0023
	Issued by: Kelley Roberson, COO/CFO	Revision No.: N/A
Subject: Third Party Payer Contracting	Approved by:  HHSC Corporate Board By: Raymond Ono Its: Secretary/Treasurer	Effective Date: November 13, 2008
		Supersedes Policy: N/A Page: 1 of 3

- I. **Purpose:** To establish and define the policy and responsibilities of HHSC and HHSC Regional System Boards of Directors relating to negotiating and managing provider contracts with commercial insurance companies and other third party payers.
- II. **Policy:** It is the policy of HHSC to establish provider contracts with third party payers that provide best possible payment rates and contract terms for timely, complete payments to HHSC facilities for healthcare services provided. Provider contracts shall be negotiated and maintained in accordance with contracting principles described below.
- III. **Contracting Principles:** Standards and procedures shall be established and maintained in coordination with the regional CEOs and the Regional Systems Boards of Directors.
 - A. **System Benefit.** The primary principle for HHSC provider contracts shall be to benefit to the system as a whole. Where possible and to the benefit of the system and the regions, contracts shall be negotiated on a system-wide basis by a central team that may consist of Corporate Office staff such as the Director for Reimbursements and representatives of one or more regions, or by a team lead by professional/s contracted by the system or by an individual region or two or more regions in partnership.
 - B. **Fair Margin & Mutual Benefit.** For all third party payer contracts, HHSC negotiators shall seek payment rates that provide for fair margin, or, at minimum, that cover costs for providing care. While it is understood that the federal Medicare program and the state Medicaid program chronically underpay healthcare providers, HHSC negotiators shall seek best possible contract terms and best possible interim rates from Medicare and Medicaid and from managed care companies contracted to provide coverage to Medicare and Medicaid beneficiaries.
 1. **Lack of Mutual Benefit.** For provider contracts to be valid, there must be mutual benefit to the third party payer and the healthcare provider. In cases in which a commercial insurance company may exercise predatory contracting practices because of size and power

of the company, forcing the system or a region to enter into a provider contract that does not provide mutual benefit, the HHSC Corporate Board of Directors and Regional System Board of Directors may refer the case to the State Insurance Commissioner and/or the Attorney General of the state or to appropriate federal authorities for action and may pursue other legal action, or other business remedies, to include nonparticipation on an individual facility basis, on a regional basis, or on a system basis.

2. Rural Safety Net. In general, the Medicare and Medicaid programs fully cover the costs of care at the rural hospitals of HHSC that have organized and designated as critical access hospitals (CAH). It is the goal of HHSC that all payers, including commercial insurance companies, should fully cover the costs of care at hospitals designated as CAH.

- C. **Transparency & Accountability.** All third party payer contracts, including all amendments, at system level and at regional level shall be made available, as part of common library accessible to leaders and staff at all levels. It is the duty of system-level negotiators to assure that all system level contracts address the needs of individual regions and facilities as much as possible, that negotiations are transparent to regional leaders and staff, and that all regions concerned are afforded opportunity for input prior to finalization of a provider contract. It is the duty of regional level negotiators to assure all regional level contracts address potential financial and operational impacts on their regional facilities, that the impacts are disclosed to the facilities impacted, and that the regions/facilities impacted are afforded opportunity for input prior to finalization of a provider contract.
- D. **Compliance With Law.** HHSC system-level and regional third party payer contracts and any negotiations thereof will comply with federal and state laws. In cases in which a commercial insurance company may exercise predatory contracting practices because of size and power of the company, forcing the system or a region to enter into a provider contract in which compliance with state or federal law may be questionable, the HHSC Corporate Board of Directors and Regional System Board of Directors will refer the case to the State Insurance Commissioner and/or the Attorney General of the state or to appropriate federal authorities for action and may pursue other legal action.
- E. **Timeliness.** It is the policy of HHSC to conduct timely, advance negotiations so that third party payer contracts shall be entered into prior to beginning of the contract period and extensions of provider contracts, whenever practicable shall be completed prior to the end of the contracts. Pressure for timely completion of contract negotiations shall not be allowed to override requirements for system benefit, mutual benefit, transparency and accountability, and compliance with law.
- F. **Participation and Review.** Regions and facilities shall be provided the opportunity to participate in negotiations of major contracts and the opportunity to review all contracts prior to completion.

IV. **Regional Negotiations.** Individual Regions may elect to negotiate separately with third party payers.

V. **Supplementation.** Regional System Boards of Directors are authorized to establish regional Third Party Payer Contracting policies consistent with the system policy.

VI. **APPLICABILITY:** All HHSC regions and facilities and all HHSC Corporate staff.

VII. **REFERENCE:** HRS Chapter 323F