

# **HEALTHCARE FUND**

## **REGULATIONS**

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### **PART I. GENERAL PROVISIONS**

#### **Section 101. Authority**

The following rules and regulations are promulgated pursuant to and in accordance with the Administrative Procedure Act, as codified in 6 PNC §101 ff. and RPPL No. 8-14, as codified in Title 41, Chapter 9 of the PNC. These rules and regulations have been promulgated by the Republic of Palau Healthcare Financing Governing Committee (hereinafter “Committee”) and shall have the force and effect of law.

[41 PNC § 908]

#### **Section 102. Purpose and Scope**

The purpose of these rules and regulations is to ensure effective and efficient implementation and administration of the National Healthcare Financing Act, RPPL 8-14 (HCFA) by its Committee and by the Social Security Administration, as the administrative agency mandated with the responsibility and duty of administering the provisions of the HCFA.

[Source 41 PNC § 908]

### **Section 103. Definitions**

Unless otherwise provided, the definitions as set forth in 41 PNC § 702 and 41 PNC § 901 are incorporated in and made a part of these regulations by reference. Other definitions specifically applicable to these regulations are:

- (1) Account holder. The individual identified as the owner of a particular medical savings account.
- (2) Approved provider. An individual or organization that is licensed or otherwise officially recognized as meeting the required standards to provide and charge for medical care to others by the jurisdiction where the provider is located.
- (3) Dependent. A spouse, child under the age of eighteen, or child under the age of twenty-two who is a bona fide student, of the account holder.
- (4) Designated beneficiary (or “beneficiary”). A dependent or other individual authorized to access an account holder’s Medical Savings Account.

[Source 41 PNC § 901]

### **Section 104. To Whom Applicable**

Unless contrary to the purpose and intent of the HCFA, these regulations are to be enforced by employees of the Social Security Administration and of the Ministry of Health of the Republic of Palau and shall be made available for public inspection upon request at the offices of the Social Security Administration during regular hours of operation.

[6 PNC §123]

### **Section 105. Uniformity**

All provisions of these rules and procedures shall be interpreted and applied in a uniform, nondiscriminatory manner.

[Article IV, Section 5. ROP Constitution]

### **Section 106. Severability**

If any provision of these rules and procedures or the application thereof is held invalid, the invalidity does not affect other provisions or applications of these rules and procedures which can be given effect without the invalid provision or application, and to this end the provisions of these rules and procedures are severable.

### **Section 107. Amendment**

Any provision of these regulations may be amended consistent with the Administrative Procedures Act, as codified in 6 PNC §§101 ff.

Any person may request the adoption, amendment, or repeal of any of these regulations by submitting a written petition to the Committee specifying in detail the rule to be adopted, amended or repealed and the basis for such request.

Amendments to these regulations shall be consistent with statutes and with regulations adopted by the Ministry of Health and the Social Security Administration as they relate to administration of the HCFA.

### **Section 108. Sovereign Immunity**

The Committee is a governmental entity, that when acting in its official capacity, is protected by the doctrine of sovereign immunity unless otherwise provided by statute.

### **Section 109. Effective Date**

These rules and procedures shall take effect upon their approval by a majority vote of the Committee, consistent with the Administrative Procedures Act. All actions prior to the effective date of these rules and procedures shall not be subject to these newly promulgated rules and procedures.

### **Section 110. Record Keeping**

The Administrator shall maintain records of all employees and of all contributors, including self-employed persons for a minimum of ten (10) years. The Administrator shall maintain all other records for ten (10) years or for the same number of years records are maintained by Ministry of Health, whichever is longer.

### **Section 111. Availability of Records**

All statistical information and reports routinely produced for administrative purposes shall be made available upon written request and upon payment of the costs of reproducing the report. Requests, other than requests for personally identifiable financial and medical information, and any other submissions shall be directed to the Administrator and shall generally be made available upon written request and upon payment of the costs of gathering and reproducing the information.

[6 PNC §121(a)]

### **Section 112. Information or Records Not Publicly Available**

- (1) Personally identifiable financial and medical information shall be kept confidential and may only be released with the express written consent of the subject of the information as indicated by his or her signature on the form approved for that purpose. No written consent shall be valid for more than one year.
- (2) If the individual is a minor, only the express written consent of a parent with custody or a court-appointed guardian will be accepted for the purpose of releasing financial or medical information on the individual.
- (3) If the individual is adjudged incompetent, only the written authorization of a court-appointed guardian will be accepted for the purpose of releasing financial or medical information on him or her.
- (4) Personally identifiable financial and medical information may be released for the purposes of the functions and operations under the HCFA. For example, the funds available in a medical savings account may be transmitted to and from the Ministry of Health and the individual's treatment providers.

- (5) Personally identifiable financial and medical information may also be released to any person as required by court order from a duly recognized jurisdiction and as otherwise authorized by the Committee.

[41 PNC §960]

## **PART II. ORGANIZATION**

### **Section 201. Governing Law**

The provisions of the HCFA, as may be amended from time to time, and these regulations govern the administration of the HCFA.

### **Section 202. Formation of the Healthcare Financing Committee**

- (1) The Committee is established to administer the HCFA, except for investments, which are within the exclusive authority of the Social Security Board.
- (2) Its membership consists of the Minister of Finance or his or her designee, the Minister of Health or his or her designee, the Social Security Administrator, one representative appointed by the Governor's Association, and one representative appointed by the Chamber of Commerce.
- (3) Committee members shall elect one member to be Chairman and another to be Vice Chairman at the first meeting. Subsequent elections shall take place whenever another individual becomes a member of the Committee or after two years, whichever comes first.

[41 PNC §§ 901 and 907]

### **Section 203. Chairman of the Board**

The Chairman shall preside over all meetings of the Committee and shall sign all contracts, deeds, and other instruments unless otherwise authorized by the HCFA, these regulations, or as designated by the Chairman.

### **Section 204. Vice Chairman of the Board**

The Vice Chairman shall perform the duties of the Chairman in the absence of the Chairman. In the case of dismissal, resignation, or death of the Chairman, the Vice Chairman shall serve as Chairman until a new Chairman is elected by a majority of the membership.

### **Section 205. General Powers of the Committee**

The Committee provides, maintains, operates, and reports on the financial sound healthcare systems established by the HCFA and provides an orderly means to finance and deliver comprehensive healthcare coverage to the people of the Republic of Palau.

[41 PNC §908(a)]

### **Section 206. Fiduciary Duties**

Members of the Committee shall be expected to conduct themselves with the highest standard of care and loyalty in performing their duties.

### **Section 207. Memorandum of Understanding**

A Memorandum of Understanding among the Ministry of Finance, Ministry of Health and the Social Security Administration shall address coordination of the following functions:

- (1) The duties and responsibilities of each of the agencies when operating under the HCFA;
- (2) Producing an annual report within 90 days after the end of each fiscal year to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau detailing the financial status of the Fund, its investments, MSA participation, medical care utilization, and other matters as requested; and,
- (3) Coordinating any other activities among the agencies necessary to meet the objectives of the HCFA.

[41 PNC §§911 & 912]

### **Section 208. Duties and Responsibilities of the Committee**

The Committee exercises and performs the following powers and duties in the name of the Medical Savings Fund (MSF) of the Republic of Palau:

- (1) transact any business;
- (2) enter into any contracts for management, auditing, actuarial, investment, legal, or any other advice or services;
- (3) issue subpoenas and administer the oaths appropriate for the administration of the two plans;
- (4) bond any employee of the Administration in such cases and in such amounts as necessary;



- (5) have the authority to promulgate by-laws, procedures, policies, or rules and regulations, which shall have the force and effect of law, necessary to carry out any duty, operation, or function as required under this Act;
- (6) carry out adjudicative proceedings;
- (7) maintain bank accounts and a bank overdraft for the normal operations; and
- (8) delegate any power, function, duty, or responsibility as necessary to ensure the administration and operation of the two plans and funds.

[41 PNC §908]

### **Section 209. Meetings, Official Action of the Committee**

- (1) The Minister of Finance, Minister of Health, and Social Security Administrator shall call the first meeting of the Committee. Subsequently, the Committee shall meet at the call of the Chairman or a majority of the members of the Committee. The time and place of such meeting shall be designated by the Chairman.
- (2) Three (3) members of the Committee shall constitute a quorum for the purposes of conducting business and exercising its powers and for other purposes. A majority vote of members present shall be required for any decision by the Committee. Minutes of all meetings shall be recorded.
- (3) The minutes of each meeting shall be recorded by the Secretary or a person designated by the Chairman. The minutes shall be prepared for distribution at least two (2) days prior to the next Committee meeting. Such minutes and recordings shall be kept by the Board for a minimum of ten (10) years for record keeping purposes.

*[Sections 210 through 219 Reserved for future use]*

### **Section 220. Administrator**

The Social Security Administrator (Administrator) shall be responsible for the general day-to-day administration and operation of the healthcare financing system. In addition, the Committee may delegate, by written instrument, to the Administrator such powers, duties and responsibilities as are necessary and proper to carry out the effective and proper operation of the healthcare financing system.

**Section 221. Duties of Administrator**

The Administrator shall be delegated duties and responsibilities which shall include, but are not limited to, the following:

- (1) To oversee the general administration of the HCFA and to carry into operation the goals objectives, and policies established by the HCFA and the Committee;
- (2) To oversee and direct the day-to-day activities and operation of the HCFA including the direction and supervision of all of the administrative and technical activities;
- (3) To select, hire, terminate and discipline employees at his or her discretion, but subject to such personnel guidelines and procedures as may be promulgated by the Social Security Board;
- (4) To contract for professional (including legal, auditing, and accounting), technical, and advisory services, and to plan, organize, coordinate, and control the services of such employees and independent contractors subject to such guidelines and procedures as may be adopted by the Social Security Board;
- (5) To attend, unless excused by the Committee, all meetings of the Committee and submit reports on the affairs of the MSF as requested;
- (6) To keep the Committee advised on the needs of the MSF;
- (7) To ensure that all rules, procedures, policies, and by-laws are enforced;
- (8) To receive and maintain all files and records including those of all employers and all employees subject to 41 PNC, Chapter 9, these regulations, and all other applicable regulations and laws;
- (9) To make available for public inspection all rules and all other written statements of policy or interpretations formulated, adopted, or used and all final orders, decisions, and opinions of general applicability or effect upon the public;
- (10) To audit records, issue subpoenas and administer oaths appropriate to the administration of the MSF;
- (11) To furnish an annual report and audited statement of accounts to the President and the Olbiil Era Kelulau within ninety (90) days of books closing;

- (12) To institute whatever legal proceedings he or she shall deem necessary and proper to collect delinquent contributions and interest due and owing to the MSF from any employer or to collect any other sums owed to the MSF;
- (13) To maintain bank accounts as deemed necessary for the purposes of administration of the HCFA, including the establishment of a separate bank account in a bank that is FDIC insured for all monies used to fund operations;
- (14) To hold hearings and make decisions in accordance with 41 PNC, Chapter 9 and these regulations for the purpose of determining any question involving any right, benefit, or obligation of any person subject to 41 PNC, Chapter 9;
- (15) To make proper adjustments whenever an error has been made; provided, however, that no adjustment shall be made when adjustment or recovery would be contrary to law;
- (16) To make recommendations to the Committee for legislation to improve the MSF and to directly lobby the Olbiil Era Kelulau to enact such legislation;
- (17) To annually formulate a list of specific goals and objectives for the MSF for review by the Committee; and
- (18) To perform such other and additional duties as may be required or delegated by the Committee.

[6 PNC §122 and 41 PNC §§909, 911, & 959]

### **Section 222. Delegation by Administrator**

The Administrator may, by written instrument, delegate to any employee any of his or her powers and functions under 41 PNC, Chapter 9 and these regulations. A delegation is revocable, in writing, at will. It may apply to the whole of the Republic of Palau or in part and is subject to such limitations and conditions as deemed proper and necessary by the Administrator. No delegation made by the Administrator prevents the exercise of performance of a power or function by the Administrator.

[41 PNC §909(c) & 725]

### **Section 223. Budget**

The Administrator shall prepare and submit to the Social Security Board and to appropriate authorities, on forms and in the manner and at such times as may be prescribed, or in such form

as the Administrator deems proper, a detailed budget estimate and the amount required to be appropriated for the next ensuing fiscal period, from October 1<sup>st</sup> through September 30<sup>th</sup> of the following year, for proper operations including:

- (1) the audited accounts for the prior fiscal year;
- (2) a statement showing the estimates of contributions, other income, and expenditures for the fiscal year in progress, together with any summaries, schedules, and supporting information deemed necessary; and,
- (3) a budget showing the estimated income and expenditures for the next fiscal year.

[41 PNC §909(e)]

#### **Section 224. Audits, Accounts & Reports**

The Administrator shall maintain accounts and records relating to all funds and transactions under the HCFA. Such accounts and records shall be subject to audit by an independent auditor appointed by the Social Security Board.

[41 PNC §958(a)]

#### **Section 225. Actuary**

The Social Security Board and Committee shall jointly appoint an Actuary, who meets the requirements of the Social Security By-Laws, on terms and conditions as agreed upon in writing between the Administrator and the Actuary. Any report submitted to the Social Security Board following an actuarial valuation shall also be submitted to the Committee, to the Olbiil Era Kelulau and to the President of the Republic of Palau, with any appropriate recommendations for changes or amendments.

[RPPL 8-14, Section 4(b)]

#### **Section 226. Auditor**

- (1) The Social Security Board and Committee shall jointly appoint an independent auditor, who meets the requirements of the Social Security By-Laws, on terms and conditions as agreed upon in writing between the Administrator and the Auditor. The auditor shall audit the accounts within ninety (90) days after the end of each fiscal year.

(2) The Administrator shall, as soon as practicable, submit the accounts and the Auditor's report to the Olbiil Era Kelulau and the President of the Republic of Palau. The accounts and report shall also be made available to the general public upon request.

(3) The Administrator shall receive any annual reports from the Public Auditor on the financial balance of the MSF and provide such reports to the Committee and the Social Security Board.

[41 PNC §958]

### **Section 227. Legal Counsel**

The Administrator is encouraged to employ a full or part-time attorney to advise and handle legal affairs. However, if for any reason the Administrator is unable to employ a private, in-house attorney, the Attorney General's Office shall provide legal services upon request.

[41 PNC §909(a)]

### **Section 228. Professional Services**

The Administrator may contract for professional (including legal, auditing, and accounting), technical, and advisory services on behalf of the MSF. All contracts for professional services shall be in writing and clearly indicate: (1) the work the professional is contracted for; (2) the course of action the Board has agreed to take; (3) a statement that the professional has no conflicts of interest in pursuing any matter under the contract; and (4) the compensation the professional is to receive. The Administrator shall require such contract professionals to submit written summaries of the status of the work at regular intervals. At the completion of such professional services, the Administrator shall obtain all files, documents, work product, or other instruments that are the Administration's rightful property.

[41 PNC §§908 & 909]

## **PART III. GENERAL BENEFITS**

### **Section 301. General Eligibility**

(1) General MSA Eligibility. All employed and self-employed individuals shall contribute to an MSA for the benefit of that account holder and his or her spouse and dependent children, if any, and in accordance with regulations established by the Social Security

Administration. In addition, the account holder may designate additional beneficiaries for his or her MSA, in accordance with regulations established by the Social Security Administration.

- (2) PHI Eligibility for Employed Persons and Their Dependents. All account holders and their dependents shall be eligible for coverage under PHI based on the deduction of the subscription costs from the account holder's MSA in accordance with these regulations.
- (3) PHI Eligibility for Individuals age 60 and Over or Disabled. Citizens who are 60 and older and not working and citizens who are disabled and not working shall be eligible for coverage under PHI based on the payment of subscription costs by the National Government.
- (4) PHI Eligibility for All Other Permanent Residents. All other individuals who are permanent residents of Palau may enroll for coverage under PHI in accordance with these regulations.

[41 PNC §§917(b), 918(b), 951, and 952]

### **Section 302. Eligibility on More than One MSA**

An individual may be a designated beneficiary on more than one MSA. Payments shall first be deducted from the MSA where the individual is the account holder and then shall be deducted from any MSA where the individual is a spouse and mandatory designated beneficiary. Last, payments shall be deducted from any other MSA where the individual is a designated beneficiary.

[41 PNC §940]

### **Section 303. Income Guidelines for Co-payments and Use Schedules**

- (1) The Sliding Fee Schedule adopted by the Minister of Health, in effect on the date RPPL 8-14 was enacted, shall be used to establish the amounts that may be authorized by the covered individual to be deducted from his or her MSA account.
- (2) In addition, the Cost Schedule adopted by the Minister of Health, in effect on the date RPPL 8-14 was enacted, shall be considered when the Committee establishes a Reimbursement Schedule containing the amounts approved for reimbursement for a covered service under PHI.

- (3) The amounts established in the Sliding Fee Scale and Reimbursement Schedule may be amended from time to time, with the approval of the Committee.

[41 PNC §939(b)]

#### **Section 304. Retroactive Payments**

No payments shall be made from any MSA or under PHI for expenses incurred or services performed prior to the date an individual's eligibility begins.

[41 PNC §§939 & 955b]

### **PART IV. MEDICAL SAVINGS ACCOUNTS**

#### **Section 401. When Funds Available**

- (1) Funds held within an MSA shall become available for use by the account holder and his or her designated beneficiaries no later than the beginning of the first full calendar quarter after the month in which the contributions were paid by the employer.
- (2) When the account holder changes his or her designation of beneficiaries, the funds within that MSA shall become available for use to a new beneficiary at the beginning of the first full calendar quarter after the change is reported. However, if the reported change is made within thirty (30) days of the end of a calendar quarter, the change shall not take effect until the beginning of the second calendar quarter after the report is made.

[41 PNC §§918(b) & 940]

*[Section 402 Reserved for Future Use]*

#### **Section 403. Order of Priority for Payment from an MSA**

After the subscription cost for PHI for the account holder and his or her spouse and dependents are deducted, other payments requested to be made from an MSA by the account holder and designated beneficiaries shall be made in the following order of priority during each calendar quarter:

- (1) Subscription cost for PHI for any other designated beneficiary, which is not covered by that designated beneficiary's own MSA;
- (2) Private health insurance premiums for the account holder and his or her spouse and dependents;

- (3) Private health insurance premiums for any other designated beneficiary, which is not covered by that designated beneficiary's own MSA;
- (4) Payment for covered services provided by BNH to the account holder, in the order service was provided, and then provided by BNH to his or her spouse and dependents, in the order service was provided;
- (5) Payment for covered services provided by BNH for any other designated beneficiary, in the order service was provided, which is not covered by that designated beneficiary's own MSA;
- (6) Payment for covered services provided by any other approved on-island provider for the account holder and his or her spouse and dependents, in the order the service was provided;
- (7) Payment for covered services provided by any other approved on-island provider for any other designated beneficiary, which is not covered by that designated beneficiary's own MSA, in the order the service was provided; and,
- (8) Any other payment for covered services, in the order service was provided.

[41 PNC §§939(b) & 952(b)]

#### **Section 404. Payment of Premiums for Private Health Insurance Coverage**

- (1) An account holder may authorize payment of premiums for private health insurance coverage for him or herself, dependants and other designated beneficiaries from his or her MSA by submitting a written request to the HF on the form approved for that purpose. Upon receiving the written authorization, the Administrator shall request that the private health insurer submit a request for payment for the premium to the HF. The HF shall then make payment to any insurer who agrees to accept such payment, for all premiums authorized by account holders.
- (2) A withdrawal of this authorization shall be submitted in writing by the account holder on the form approved for that purpose and shall take effect for the next regularly scheduled payment after the written withdrawal is received by the HF.
- (3) If the insurer does not agree to accept payment of premiums from the HF within thirty days of the request, the HF shall provide written notification to the account holder and shall not make any payment to the insurer.



- (4) The HF shall not submit payment to an insurer unless the insurer agrees in advance, in writing, to accept such payment and submits a request for payment directly to the HF on a form approved for that purpose.
- (5) The HF shall not reimburse the account holder, an employer, or any other person for premiums already paid to an insurer and shall not pay a premium to anyone other than directly to the insurer.
- (6) The HF may enter into agreements with companies providing health insurance coverage on Palau governing payment of premiums under this section.

[41 PNC §939]

#### **Section 405. Payments to Ministry of Health**

The account holder or any designated beneficiary may authorize a payment to BNH in writing on a form approved for that purpose for any healthcare service not excluded by these regulations. Upon receipt of proof of providing the covered service and the authorization for payment using the form approved for that purpose, including electronic transmission of the proofs, the HF shall pay BNH the approved amount for that covered healthcare service. Authorized payments from MSAs to BNH may be aggregated and paid as may be determined by agreement of the Ministry of Health and the Administrator.

[41 PNC §939]

#### **Section 406. Payments to Other Providers on Palau**

The account holder or any designated beneficiary may authorize payment in writing using a form approved for that purpose for any healthcare service not excluded by these regulations to other approved providers on Palau. The approved provider shall submit a request for payment to the HF for all covered services, which includes proof of providing the covered service and the authorization for payment, on a monthly or quarterly basis using a form approved for that purpose. The HF shall pay the approved provider on a monthly or quarterly basis, as agreed by the provider and the HF. However, the amount paid for the covered service shall not exceed the amount that would be paid to BNH for the same service. If BNH does not provide that service, the amount shall not exceed what is reasonable, as determined in the Administrator's discretion.

[41 PNC 957(a)]

## **Section 407. Limitations on Withdrawals**

- (1) If an account holder or any designated beneficiary authorizes payment from an MSA for services not covered or not from an approved provider, the HF shall advise the account holder and the provider that payment is not approved.
- (2) The HF shall not withdraw funds from an MSA unless authorized in writing by the account holder or a designated beneficiary.
- (3) The HF shall not withdraw funds from an MSA account if the withdrawal results in a negative balance in the MSA.

## **PART V. PALAU HEALTH INSURANCE BENEFITS**

### **SubPart A. ENTITLEMENT**

#### **Section 501. When Coverage Begins**

- (1) Initially, PHI coverage shall begin April 1, 2011 for those individuals who pay subscription costs for both the October-December 2010 and January-March 2011 quarters.
- (2) PHI coverage shall begin on the first day of the first calendar quarter following two full, consecutive quarters of payment of the subscription costs, for individuals who were not eligible under subsection (1) above, such as those who did not earn remuneration during both the October-December 2010 and January-March 2011 quarters.
- (3) Initially, PHI coverage shall begin on April 1, 2011 for individuals eligible based on payment of subscription costs by the National Government, provided the individual was eligible for payment of subscription costs by the National Government for both the October-December 2010 and January-March 2011 quarters.
- (4) PHI coverage shall begin on the first day of the first calendar quarter following two full, consecutive quarters of payment of the subscription costs by the National Government, for nonworking elderly and disabled who were not initially eligible under subsection (3) above. For example, an eligible individual who was not age 60 until January 2011 and did not otherwise pay subscription costs beginning in the October-December 2010 quarter will not have coverage beginning on April 1, 2011. His or her coverage shall begin on July 1, 2011, at the earliest, based on payment of subscription costs by the National Government.

- (5) PHI coverage shall begin on April 1, 2011 for individuals who pay for two full, consecutive quarters, based partly on subscription costs paid by the National Government and partly based on deductions from an MSA during the October-December 2010 and January-March 2011 quarters.

[41 PNC §§955(b)]

### **Section 502. Amount of Subscription Costs**

- (1) On a quarterly basis, or more often as agreed between the National Government and SSA, the National Government shall pay 2.25% of the mean annual remuneration, as determined by the SSA, in subscription costs for coverage for each eligible individual citizen.
- (2) For employees and for the self-employed, the amount shall be 2.25% of remuneration, as defined by the Social Security Act.
- (3) An individual who does not have payments withheld through employment or paid by the National Government, may report and pay the subscription costs quarterly to the SSA using the form provided for that purpose to obtain coverage for him or herself beginning no earlier than October 1, 2010. The subscription cost for an individual under this subsection (3) shall be 2.25% of the official minimum wage at the time the report is filed and payment is made.

[41 PNC §952]

### **Section 503. When Coverage Ends**

An individual's coverage ends on the first day following two consecutive quarters of non-payment of subscription fees.

[41 PNC§952(f)]

## **SubPart B. COVERED & NON-COVERED SERVICES**

### **Section 510. Covered Inpatient Care at Ministry of Health**

- (1) PHI reimburses BNH for the covered costs of inpatient medical services for an insured individual, subject to an individual's copayment, and excluding capital costs and costs of personnel employed by the Ministry of Health.
- (2) The cost of inpatient medical services to be reimbursed is determined by applying the most recent Reimbursement Schedule.

[41 PNC §955(a)]

### **Section 511. Included Services at Ministry of Health**

Subject to the conditions, limitations, and exceptions set forth in these regulations, reimbursable covered inpatient medical services are intended to include what is usual, reasonable and customary for the diagnosed condition and includes the following services furnished to an inpatient at BNH who is an insured individual:

- (1) Drugs and biologicals;
- (2) Supplies, appliances, and equipment; and,
- (3) Bed and board.

[41 PNC §955(a)]

### **Section 512. Drugs and Biologicals.**

PHI reimburses the covered amount for drugs and biological ordinarily furnished by BNH for the care and treatment of inpatients that represent a cost to BNH and are furnished to the insured individual for use as an inpatient. This includes a limited supply of drugs and biological medically necessary to facilitate the individual's departure from BNH and required until he or she can obtain a continuing supply.

[41 PNC §955(a)]

### **Section 513. Supplies, Appliances, and Equipment.**

PHI reimburses the covered amount for supplies, appliances, and equipment ordinarily furnished by BNH to inpatients for use in the hospital that represent a cost to BNH and are furnished to the insured individual for use as an inpatient. Coverage also includes items that the insured individual must continue to use after he or she leaves BNH, such as an implanted appliance, and a limited supply of medically necessary supplies to permit or facilitate the insured individual's departure from BNH until he or she can obtain a continuing supply, such as tracheostomy or draining tubes.

[41 PNC §955(a)]

### **Section 514. Bed and Board.**

PHI reimburses the covered amount for semi-private accommodations unless individual's condition requires isolation. In that situation, PHI reimburses the covered amount for private accommodations until his or her condition no longer requires isolation.

[41 PNC §955(a)]

### **Section 515. Reimbursement Schedule for Inpatient Care at Ministry of Health**

- (1) The Reimbursement Schedule is determined by making adjustments to the Cost Schedule from the Ministry of Health. The adjustments are to reflect the statutory restriction on reimbursing BNH for personnel costs and to allow management of the Fund to ensure sustainability.
- (2) The Reimbursement Schedule shall be established by agreement of the Minister of Health, Minister of Finance and Administrator as a supplement or annex to the Memorandum of Understanding and may be amended from time to time.

[41 PNC§955]

*[Sections 516-529 Reserved for Future Use]*

### **Section 530. Covered Off-island Care**

PHI reimburses for covered off-island care, as approved by the Medical Referral Committee prior to referral, subject to the conditions, limitations, and exceptions set forth in these regulations and to an individual's co-payment. Reimbursable covered inpatient medical services are intended to include only what is usual, reasonable and customary for the pre-approved diagnosed condition.

[41 PNC§955]

### **Section 531. Covered Medical Evacuation**

- (1) For approved off-island referrals, PHI reimburses for the cost of one round-trip economy class airline ticket for the covered individual at the lowest published economy fare on the date of travel.
- (2) If a stretcher is medically necessary for medical transportation, then PHI reimburses for the costs of round-trip economy class airline tickets at the lowest published economy fare on the date of travel for the number of seats necessary to meet airline requirements.
- (3) If a medical attendant is medically necessary, then PHI shall also reimburse for the cost of one round-trip economy class airline ticket for one individual at the lowest published economy fare on the date of travel.
- (4) If the covered individual is a minor, PHI shall also cover the cost of one round-trip economy class airline ticket at the lowest published economy fare on the date of travel for the parent or guardian who accompanies the minor at the time of the medical evacuation.
- (5) Inter-island medical evacuation costs within Palau are not reimbursable.

[41 PNC§955]

**Section 532. Non-referred, Emergency Off-island Care**

Care outside of Palau is covered by PHI only if approved in advance by the Medical Referral Committee; this limitation means emergency care outside of Palau is excluded from coverage.

[41 PNC§955]

**Section 533. When Coverage is Secondary**

- (1) At the time of service, a covered individual shall disclose whether he or she has a healthcare or medical coverage plan provided through a foreign government, such as that provided by US Medicare, civil service, military service, or a workers' compensation plan.
- (2) If the medical services provided by an approved provider are subject to coverage under a pre-existing plan through a foreign government, then PHI shall not provide primary coverage for healthcare services covered by that plan.
- (3) The HF shall work with the Ministry of State to coordinate secondary coverage for healthcare services provided to an insured individual covered by a plan through a foreign government.

[41 PNC§955]

*[Sections 534 through 539 Reserved for Future Use]*

SubPart C. CO-PAYMENTS

**Section 540. Co-payment for Inpatient Care**

PHI reimburses BNH for each covered stay after a copayment from the individual of 20% of the total cost up to a ceiling of \$200.00 to \$400.00, depending on household income, and after excluding the costs of personnel employed by the Ministry of Health. The Ministry of Health determines the amount of, and collects, this co-payment from the individual receiving services.

[41 PNC §955(a)(1)]

**Section 541. Co-payment for Off-island Referrals**

PHI reimburses for the covered costs of off-island medical care, including medical evacuation services, provided to an insured individual, directly to BNH, subject to the conditions, limitations, and exceptions set forth in these regulations, after a copayment of 20% of total cost of services up to a ceiling of \$1,000.00 to \$4,000.00, depending on household income for each covered stay. The Ministry of Health determines the amount of, and collects, this co-payment from the individual.

[41 PNC §955(a)(2)]

*[Sections 542 through 549 Reserved for Future Use]*

#### SubPart D. EXCLUSIONS & LIMITATIONS

##### **Section 550. Limitations & Exclusions for Inpatient Services at Ministry of Health**

In addition to reimbursements limited elsewhere in these regulations, PHI shall not reimburse BNH for the following inpatient services:

- (1) Costs related to hemodialysis;
- (2) Co-payments for in-patient care at BNH;
- (3) Personnel costs at the Ministry of Health;
- (4) In-patient psychiatric care;
- (5) Treatment for drug, alcohol, or other addictions;
- (6) Cosmetic surgery;
- (7) Fertility, conception, or contraceptive care;
- (8) Dental (except due to accident or injury);
- (9) Care that is rehabilitative, palliative, or supportive rather than usual, reasonable and customary curative care;
- (10) Inpatient care solely for an advisory opinion; and
- (11) Other excluded services described elsewhere in these regulations.

[41 PNC §§955(c) and 956]

##### **Section 551. Limitations & Exclusions for Off-Island Referrals**

PHI shall not reimburse BNH for the following off-island referrals:

- (1) Co-payments for approved off-island referrals;
- (2) Services that can be provided at BNH or elsewhere on Palau;
- (3) Services where the costs of care are covered by a foreign government or other donor or grantor;
- (4) Costs related to hemodialysis;
- (5) Psychiatric care;
- (6) Treatment for drug, alcohol, or other addictions;
- (7) Cosmetic surgery;
- (8) Sex change operations;

- (9) Fertility, conception, or contraceptive care;
- (10) Dental, hearing and vision care (except due to accident or injury);
- (11) Organ transplants, except as specifically covered by Section 552 of these regulations;
- (12) Cancer where prognosis is poor;
- (13) Care that is rehabilitative, palliative, or supportive rather than usual, reasonable and customary curative care;
- (14) Care solely for an advisory opinion;
- (15) Care for diagnostic purposes, except as specifically covered by Section 553 of these regulations;
- (16) Care not approved by the Medical Referral Committee; and,
- (17) Other excluded services described elsewhere in these regulations.

[41 PNC §§955(c) and 956]

#### **Section 552. Special Provisions for Organ Transplants**

- (1) Organ transplants are excluded from coverage. However, the Committee may specify a specific number of kidney transplants that may be approved for reimbursement to BNH during an upcoming calendar period, provided that the sustainability of the HF can be maintained with the inclusion of that number of kidney transplants.
- (2) In addition, prior to specifying the number of kidney transplants which may be approved, the Minister of Health, the Minister of Finance and the Administrator shall enter into an agreement establishing specific criteria for eligibility of a covered individual for an approved transplant. The criteria shall require a good prognosis, shall limit approval to one transplant per covered individual, shall require the individual to demonstrate active compliance with recommended healthy lifestyle choices and active participation in disease prevention measures, and such other criteria as may be determined by the parties.
- (3) All other exclusions and limitations found elsewhere in these regulations shall apply.

#### **Section 553. Special Provisions for Diagnostic Referrals**

Care for diagnostic purposes is excluded. However, where BNH lacks access to medically necessary diagnostic equipment or specialist services and no timely, reasonable substitute for the



equipment or specialist services are available, either electronically or on Palau, then the off-island referral may be approved for reimbursement, subject to other exclusions and limitations found elsewhere in these regulations.

#### **Section 554. Medical Referral Committee Standards**

Reimbursement to BNH for covered off-island medical care shall be made only for covered services approved by the Medical Referral Committee established by 34 PNC §333 when applying the medical standards in effect on the date RPPL 8-14 was enacted until such time as the standards are formally updated.

[41 PNC §955(a)(2)]

#### **Section 555. Amounts Reimbursable by PHI**

- (1) BNH and the Administrator shall cooperate to establish standardized payment amounts for off-island medical services with one or more providers to protect the sustainability of the HF and to seek the lowest cost for services while maintaining service quality.
- (2) Until standardized payment amounts are established, the Committee shall determine the amounts which are reimbursable to BNH for medical care provided through off-island referrals, but BNH shall continue to determine the cost of care by negotiating with providers on a case-by-case basis.

[41 PNC §§955 and 957]

#### **Section 556. Maximum Benefits For Off-island Referrals.**

In addition to other exclusions and limitations, the amount reimbursable for covered costs shall be subject to a maximum benefit of \$20,000.00 for each approved off-island referral. This maximum benefit may be adjusted by the Governing Committee provided the adjustment is part of an overall review and adjustment of coverage limitations and is demonstrated to be fiscally sustainable through an actuarial study.

[41 PNC §955(c)]

*[Sections 557 through 600 Reserved for Future Use]*

### **PART VI. CLAIMS PROCESSING FOR MSAs**

#### **Section 601. General Provisions for Claims Approval**

- (1) The account holder or beneficiary shall authorize payment to be deducted from an MSA account in writing at the time service is provided using the form from the provider and approved by the HF for that purpose. The form shall also authorize, but not require, the provider to verify sufficient funds are available an MSA account.
- (2) The provider shall submit shall submit a request for payment to the HF for all covered services, which includes proof of providing the covered service and the authorization for payment, on a monthly or quarterly basis using a form approved for that purpose. The HF shall pay the approved provider on a monthly or quarterly basis, as agreed by the provider and the HF.
- (3) If sufficient funds are not available in the individual's MSA accounts to make full payment, the Administrator may do the following, in his or her discretion:
  - a. Notify the provider that payment is denied due to an insufficient balance in the individual's MSA accounts; or
  - b. delay payment for up to thirty (30) days, provided that sufficient deposits are expected in an MSA account to make full payment.

[41 PNC§939]

### **Section 602. No Payment of Unauthorized Claims**

No payment shall be made for services from any MSA unless the account holder or designated beneficiary authorized payment in writing on a form approved for that purpose by the HF.

*[Sections 603 through 700 Reserved for Future Use]*

## **PART VII. CLAIMS PROCESSING FOR PHI**

### **Section 701. General Provisions for Claims Approval**

BNH shall aggregate and submit all claims for covered inpatient and off-island referral services for payment on a monthly or quarterly basis in an electronic format which provides the following information:

- (1) Name, date of birth, Social Security Number and/or BNH clinic number of individual receiving inpatient or off-island referral services;
- (2) Dates of each covered service;

- (3) Listing of each covered service provided using standardized codes and classifications as approved by the Committee;
- (4) Diagnoses of the individual which support receiving each covered service;
- (5) Certification that the co-payment has been collected from the individual receiving services;
- (6) Amount and source of any other payments received for each covered service; and,
- (7) Any other information the Administrator deems reasonable and necessary for processing payment.

PHI shall reimburse BNH for covered services to covered individuals on a monthly or quarterly basis, as may be agreed by the HF and BNH.

[41 PNC§955]

**Section 702. No Reimbursement for payments made by covered individuals.**

- (1) The HF shall not reimburse BNH for inpatient or off-island referral services where payments were made by anyone other than BNH and the HF shall not make payment directly to the covered individual or to an off-island provider.
- (2) However, the HF may enter into agreements with insurers licensed to provide coverage in the Republic of Palau to reimburse an insurer for covered services by an approved provider to a covered individual, which have already been paid by the insurer. If the insurer and the HF enter into such an agreement, the insurer shall be required to submit the same information as the approved provider, prior to reimbursement.

[41 PNC§955]

*[Sections 703 through 800 Reserved for Future Use]*

**PART VIII. DETERMINATIONS, NOTICES, COMPLAINTS & APPEALS**

**Section 801. Administrative Procedures Act Applies**

Determinations, notices, complaints and appeals involving any right, benefit or obligation under 41 PNC, Chapter 9, or these regulations are governed by the adjudicative process found in the Administrative Procedures Act, as codified in 41 PNC, Title 6, Subchapter III.

[41 PNC §908]

***PART IX. RESERVED***

**PART X. IMPROVEMENT EFFORTS**

**Section 1101. Authority For Improvement Efforts.**

RPPL 8-14, in Section 4, requires that the Social Security Board and Committee shall continue to explore other possible options for improving the scope and financial sustainability of the National Medical Savings Fund and Palau Health Insurance, including, but not limited to, pursuing funding under the Compact of Free Association with the United States. Further, any changes which have financial implications for the Fund, whether by bill or by regulation, shall be accompanied by a report from an actuary prior to approval.

**Section 1102. Purpose.**

According to RPPL 8-14, Section 1, the Olbiil Era Kelulau established the healthcare financing system to address the increasing costs of delivering healthcare and the escalating accounts receivable at the Ministry of Health. The mechanisms are a combination of MSAs and insurance for catastrophic care, with the continued safety net of governmental spending. These ensure continued access to healthcare and foster development of public and private providers. In addition, the population is to be encouraged to adopt healthy lifestyles and take personal responsibility for his or her own health.

**Section 1103. Actions to be Taken.**

To further those goals and objectives, the HF shall collaborate with the Minister of Health and other governmental, non-profit, and for-profit entities to monitor usage and collect information relevant to making decisions for improving both the MSA and PHI programs; seek financial and other support to expand covered services; and review and consider modifying subscription rates after two years of operations. Specifically, the HF shall promote, encourage and use standard codings and classifications, shall participate in the Pacific National Health Accounts Network, and shall monitor and report on the following factors after two years of operations:

- (1) the annual financial balance resulting for the operations of Palau Health Insurance;
- (2) the amount of return achieved on the investment of reserves;
- (3) proposed changes in benefit provisions that will likely affect the financial situation of the PHI in the future; and,
- (4) proposed reductions in subscription costs for individual participating in preventive care programs, as certified by the Ministry of Health.

[41 PNC §955d]