



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 12, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

GOV. MSG. NO. 855

Dear Mr. President and Members of the Senate:

Re: Senate Bill 3270 SD2 HD1 CD1:

On July 11, 2006, Senate Bill No. 3270, entitled "A Bill for an Act Relating to Public Health" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

Senate Bill No. 3270 guarantees a payment methodology to federally qualified health centers and rural health clinics in accordance with the Social Security Act and appropriates \$2,000,000 for the Department of Health to provide resources to nonprofit, community-based health care providers for direct medical care for the uninsured.

The Department of Human Services' Med-QUEST Division has been working with the federally qualified health centers (FQHCs), rural health clinics, and the Hawaii Primary Care Association in good faith to review the current rules regarding the Prospective Payment System (PPS) methodology, which gives the highest cost reimbursement payments to these particular Medicaid providers. This bill is similar to a bill that was vetoed last year that would have required continued payment under PPS cost reimbursement.

The Administration has concerns that if the federal law which requires the PPS reimbursement methodology is changed or eliminated, or if there is a change or reduction in the federal matching funds Hawaii receives for PPS, codifying the payment into State statute will obligate the State to future funding commitments.

This bill also provides a one-time payment to FQHCs and rural health clinics of \$2 million. However, the bill fails to identify what will happen to FQHCs and clinics after the fiscal year is over.

FQHCs are an important component to Hawaii's health care safety net of service providers, especially in our rural communities. The majority of patients served at FQHCs are

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patients covered by federal or State health insurance programs or who may not have current health insurance.

For the foregoing reasons, I allowed Senate Bill SB3270 to become law as Act 297 effective July 11, 2006 without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle", with a stylized flourish at the end.

LINDA LINGLE

A BILL FOR AN ACT

RELATING TO PUBLIC HEALTH.

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

1 SECTION 1. The legislature finds that approximately ten
2 per cent of the population of the State of Hawaii has no public
3 or private health insurance. The legislature further finds
4 that, according to the Kaiser Commission on Medicaid and the
5 Uninsured:

6 (1) Four out of five uninsured people are in working
7 families;

8 (2) Uninsured people are more likely than those with
9 insurance to be hospitalized for conditions that could
10 have been avoided;

11 (3) Uninsured people with various forms of cancer are more
12 likely to be diagnosed with late-stage cancer,
13 resulting in higher rates of death and disability; and

14 (4) Nearly forty per cent of uninsured adults skipped a
15 recommended medical test or treatment, and twenty per
16 cent say they needed but did not obtain care for a
17 serious problem during the past year.



1 The significant number of uninsured residents has a
2 considerable economic impact on the State's hospitals, community
3 health centers, and other participants in the health care
4 industry, threatening their ability to effectively serve the
5 whole community.

6 It is in the best interests of the State to ensure access
7 to primary and preventive health care for its residents. In
8 addition to a healthier population, providing access to care
9 reduces state expenditures attributable to hospital and
10 emergency room services for preventable injuries or illnesses.

11 The legislature further finds that the most effective means
12 to encourage access to primary health care for residents without
13 health insurance is through Hawaii's system of federally
14 qualified health centers, which:

15 (1) Are nonprofit, community-based organizations whose
16 purpose and expertise lie in serving people who
17 otherwise have limited access to care;

18 (2) Provide culturally and linguistically appropriate
19 health care and a broad range of primary care and
20 preventive services and are located in areas where
21 people have limited access to other health care



- 1 providers because of geographic and socioeconomic
2 barriers;
- 3 (3) Contribute greatly to the economies and livability of
4 the communities they serve; and
- 5 (4) Are cost-effective providers whose care results in
6 healthier patients and decreased emergency, specialty,
7 and in-patient services.

8 The legislature further finds that, while federally
9 qualified health centers are the best system of community-based
10 primary care for uninsured people, financial support for
11 community health centers is inadequate to meet increasing
12 demands.

13 The purpose of this Act is to provide cost-effective care
14 for Hawaii residents who are uninsured, while at the same time
15 ensuring that the community health center system remains
16 financially viable and stable in the face of a growing
17 population of uninsured residents.

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

21 "§346- Federally qualified health centers; rural health
22 clinics; reimbursement. (a) Notwithstanding any law or waiver



1 to the contrary, federally qualified health centers and rural
2 health clinics, as defined in section 1905(1) of the Social
3 Security Act (42 U.S.C. 1396 et seq.), shall be reimbursed in
4 accordance with section 1902(bb) of the Social Security Act, as
5 that section was originally added in 2000 by section 702(b) of
6 Public Law No. 106-554 and as amended in 2001 by section 2(b)(1)
7 of Public Law 107-121, and services of federally qualified
8 health centers and rural health clinics shall remain mandatory
9 services as provided in sections 1902(a)(10)(A) and
10 1905(a)(2)(B) and (C) of the Social Security Act.

11 (b) Reimbursement rates paid to federally qualified health
12 centers may be adjusted if costs exceed 1.75 per cent for
13 changes related to the intensity, duration, or amount of service
14 provided, facilities, regulatory requirements, or other
15 extraordinary circumstances; provided that the federally
16 qualified health center shall submit to the department an
17 adjusted cost report covering a period of the previous two
18 years. The director shall review the filing within a period of
19 sixty days. The period may be extended by the director for an
20 additional period not to exceed thirty days upon written notice
21 to the filer. A filing shall be deemed to be approved unless



1 disapproved by the director within the initial filing period or
2 any extension thereof.

3 (c) The State may terminate the reimbursement methodology
4 set forth in this section only in the event that changes in the
5 relevant sections of the Social Security Act prohibit this
6 reimbursement methodology."

7 SECTION 3. The department of health shall provide
8 resources to nonprofit, community-based health care providers
9 for direct medical care for the uninsured, including primary
10 medical, dental, behavioral health care, and ancillary services,
11 including education, follow-up, and outreach, and pharmacy
12 services. Distribution of funds may be on a "per visit" basis,
13 taking into consideration need on all islands.

14 SECTION 4. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$2,000,000, or so
16 much thereof as may be necessary for fiscal year 2006-2007, for
17 direct medical care to the uninsured.

18 The sum appropriated shall be expended by the department of
19 health for the purposes of this Act.

20 SECTION 5. New statutory material is underscored.


21 SECTION 6. This Act shall take effect on July 1, 2006.



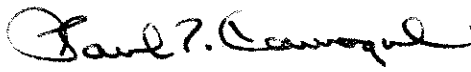
THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Twenty-third Legislature of the State of Hawaii, Regular Session of 2006.



President of the Senate



Clerk of the Senate


**THE HOUSE OF REPRESENTATIVES
OF THE STATE OF HAWAII**

Date: May 2, 2006
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the House of Representatives of the Twenty-third Legislature of the State of Hawaii, Regular Session of 2006.



Speaker, House of Representatives



Clerk, House of Representatives