
HOUSE RESOLUTION

URGING THE HAWAII CONGRESSIONAL DELEGATION TO SEEK AMENDMENTS TO
THE MEDICARE PAYMENT SYSTEM TO INCREASE REIMBURSEMENTS TO
HAWAII'S HOSPITALS.

1 WHEREAS, although Hawaii has a proud history of providing
2 essential health services in an innovative and cost-effective
3 manner, a harsh reality is that the high cost of living in
4 Hawaii has had a detrimental impact on our health care industry;
5 and

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7 WHEREAS, one of the biggest problems is that Medicaid and
8 Medicare reimbursements are too low to cover costs; and

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10 WHEREAS, Medicare has altered provider payments in various
11 ways as a method to address concerns about access, especially in
12 rural areas; and

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14 WHEREAS, one of those methods alters the adjustments made
15 to Medicare physician fees that account for geographic
16 differences in practice costs known as the geographic practice
17 cost indices (GPCIs); and

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19 WHEREAS, GPCIs are geographically based price indexes for
20 89 Medicare payment localities that include; "physician work"
21 that accounts for the professional earnings in the area;
22 "practice expense" that accounts for resource costs such as rent
23 and staff salaries; and "professional liability" costs; and

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25 WHEREAS, Medicare also bases its physician payment system
26 on a set of relative value units (RVUs) representing physician
27 work, practice expense, and professional liability insurance for
28 the specific physician services provided; and

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30 WHEREAS, to determine payment for physician services, the
31 RVU for physician work is multiplied by the GPCI for physician
32 work, and the same is done for practice expense and professional
33 liability insurance, the products are summed, and the sum is



1 multiplied by a dollar amount "conversion factor" to determine a
2 physician payment; and

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4 WHEREAS, in 2003 the RVUs for physician work, practice
5 expense, and professional liability insurance were 17 percent
6 higher in the State of Alaska than in Hawaii; and

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8 WHEREAS, although the cost of living in Hawaii is greater,
9 Alaska has been afforded an increased amount for health care
10 service reimbursements based on its "frontier" status; and

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12 WHEREAS, the Hawaiian Islands are the Earth's most isolated
13 parcels of land lying in the middle of the North Pacific Ocean,
14 2400 miles from both the nearest continental land mass, North
15 America, and the rest of the Polynesian islands in the South
16 Pacific Ocean; and

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18 WHEREAS, because of Hawaii's geographic location and other
19 factors, the cost of living in Hawaii greatly exceeds the cost
20 of living in most other states; and

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22 WHEREAS, the federal government pays nonforeign area cost-
23 of-living allowances (COLAs) based on differences in living
24 costs between the allowance areas and the Washington, DC area;
25 and

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27 WHEREAS, Section 5941 of Title 5, United States Code,
28 limits COLAs to a maximum of 25 percent of basic pay; and

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30 WHEREAS, in recognition of Hawaii's higher cost of living
31 federal employees in the state are provided COLA payments of 25
32 percent of basic pay while Alaska federal employees are afforded
33 24 percent in consideration of that state's lower cost of
34 living; and

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36 WHEREAS, a joint study conducted by the Taubman Center for
37 State and Local Government at Harvard University's John F.
38 Kennedy School of Government and the office of United States
39 Senator Daniel Patrick Moynihan revealed that if per capita
40 income is measured in real terms, Hawaii ranks 47th at \$19,755
41 compared to the national average of \$24,231; and



1 WHEREAS, federal reimbursements must be increased to Hawaii
2 to provide fairer reimbursements and more revenue for Hawaii's
3 ailing health care system; now, therefore,
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5 BE IT RESOLVED by the House of Representatives of the
6 Twenty-fourth Legislature of the State of Hawaii, Regular
7 Session of 2007, that the Hawaii Congressional Delegation
8 (Delegation) is urged to seek amendments to the Medicare payment
9 system to change reimbursement formulas that negatively affect
10 small states like Hawaii with efficient use statistics and
11 comparatively low reimbursements; and
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13 BE IT FURTHER RESOLVED that the Delegation is also
14 requested to seek changes in Medicare payment policies to
15 provide fairer, more equitable reimbursements to Hawaii's
16 physicians; and
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18 BE IT FURTHER RESOLVED that certified copies of this
19 Resolution be transmitted to Hawaii's Congressional Delegation,
20 the Governor, and Director of Human Services.
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OFFERED BY: John H. ...

MAR 14 2007

