

STAND. COM. REP. NO.

1286

Honolulu, Hawaii

MAR 23 2007

RE: H.B. No. 104  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Human Services and Public Housing, to which was referred H.B. No. 104, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HEALTH,"

begs leave to report as follows:

The purpose of this measure is to amend the law pertaining to the Medicaid fee schedule to require an annual adjustment for inflation; appropriate funds to retroactively adjust for inflation, payments made to Medicaid fee-for-service providers; and change the Medicaid fee schedule to a percentage of the 2006 Medicare fee schedule.

Hawaii Medical Service Association submitted testimony in support of the intent of this measure. Hawaii Health Systems Corporation, Hawaii Pacific Health, Hawaii Medical Association, Hawai'i Primary Care Association, Kaiser Permanente, the Healthcare Association of Hawaii, the Chamber of Commerce of Hawaii, and the Hawaii Chapter of the American Physical Therapy Association submitted testimony in support of this measure. The Department of Human Services submitted testimony in opposition.

Your Committee received a fiscal impact statement from the Department of Human Services that this measure, if passed, would cost the State \$17,562,794 for the Medicaid fee-for-service program for fiscal year 2008 and fiscal year 2009, based on increasing the Medicaid fee schedule to one hundred per cent of the 2006 Medicare fee schedule. Further, the cost of retroactive

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payments to providers for fiscal year 2006 and fiscal year 2007 would be \$10,737,357.

According to the testimony, the payment methodology for QUEST is different from that of the Medicaid fee-for-service program, and as such, an adjustment could cause unintended consequences to the operating systems of all QUEST plans in the State and possibly the Department of Human Services, as well.

Your Committee finds that inadequate payment and reimbursement from Medicaid have compromised access to medical care not only for the uninsured and those covered by Medicaid, but also for those individuals who have private employer-based health insurance. Hawaii's hospitals in particular have been detrimentally affected by the inadequacy of Medicaid reimbursements and payments that are far below cost.

It is your Committee's intent to try to address the need to meet rising health care costs and to ensure that Hawaii's residents have continued access to quality health care. Your Committee has amended this measure by:

- (1) Adding language to indicate that the amendments do not apply to QUEST medical plans;
- (2) Changing the term "practitioner" to "provider" and including outpatient hospital services to reflect the original intent of the measure;
- (3) Indicating that the rates of payment shall be one hundred per cent of the Medicare fee schedule for the current year;
- (4) Appropriating:
  - (A) \$9,800,000 for fiscal year 2007-2008 to adjust for inflation, payments made to Medicaid fee-for-service hospitals during fiscal biennium 2005-2007;
  - (B) \$8,800,000 for fiscal year 2007-2008 and the same sum for fiscal year 2008-2009 to pay for higher reimbursement costs attributable to increase in the Medicaid fee schedule; and



- (C) \$8,000,000 for fiscal year 2007-2008 for the State's portion of the federal disproportionate share hospital allowance;
- (5) Changing the effective date from July 1, 2020, to July 1, 2007; and
- (6) Making technical, nonsubstantive changes for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Human Services and Public Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 104, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 104, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.


Respectfully submitted on  
behalf of the members of the  
Committee on Human Services and  
Public Housing,

  
SUZANNE CHUN OAKLAND, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Human Services and Public Housing**  
**HSP**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 104 HD 2	HSP, WAM	3/13/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
CHUN OAKLAND, Suzanne (C)	✓			
IHARA, Jr., Les (VC)				✓
HOOSER, Gary L.				✓
SAKAMOTO, Norman	✓			
HEMMINGS, Fred	✓			
<b>TOTAL</b>	3	-	-	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

\*Only one measure per Record of Votes