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DEPARTMENT OF HUMAN SERVICES
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February 25, 2008

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2412 – RELATING TO HEALTH**

Hearing: Monday, February 25, 2008 1:45 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to appropriate funds for the State's portion of the Federal disproportionate share hospital allowance.

DEPARTMENT'S POSITION: The Department of Human Services appreciates the intent of this bill, provided that its passage does not adversely impact nor replace the priorities in the Executive Supplemental Budget.

A second Federal Medicaid disproportionate share hospital (DSH) allowance of \$7,500,000 was recently been granted for Hawaii by Congress. These Federal funds cannot be expended without a State match. This bill would provide the State match needed for a second disproportionate share hospital (DSH) allowance payment to hospitals.

Specifically, the State funds of \$5,774,340 appropriated in this bill will match the \$7,500,000 in Federal funds to provide a total of \$13,274,340 in DSH payments to hospitals in Hawaii.

In as much as these options will require additional State appropriations, DHS respectfully requests that such funding not adversely impact nor replace the priorities in the Executive Supplemental Budget.

Thank you for this opportunity to testify.

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiiapacifichealth.org

[2 Copies]

Monday, February 25, 2008 – 1:45pm
Conference Room 308
Agenda #4

The House Committee on Finance

To: The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: **Testimony in Strong Support of HB 2412 - Relating to Health**

Dear Honorable Committee Chairs and Members:

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi'olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

We are writing in strong support of HB 2412 which would provide an appropriation, enabling Hawaii to become eligible to receive Disproportionate Share Hospital (DSH) funding from the Federal Government in the amount of \$7,500,000. Congress established the DSH program in 1981 to help ensure that states provide adequate financial support to hospitals that serve a significant number of low-income patients with special needs. Since 1993, as part of the agreement when Med-Quest was established, Hawaii did not qualify for DSH dollars. This bill would authorize \$5,774,340 as the State's matching share.

The real problem facing all Hawaii Hospitals is inadequate reimbursement by Medicaid and Medicare for medical services. On average, Hawaii hospitals lose 20 cents on every \$1.00 spent to provide care for a Med-Quest patient and 21 cents on every Medicare patient. Hawaii Pacific Health provides care for thirty six percent (36%) of the total state Medicaid/QUEST discharges and loses tens of millions of dollars each year in order to provide care for these patients.

The status quo of inadequate reimbursement by government payers is unsustainable. As cumulative losses to Hawaii hospitals continue to grow, the real costs to the community of inadequate reimbursement are physician attrition, patient access to specialty care, and compromised quality of care. The only way to maintain the level of healthcare Hawaii's residents deserve is to ensure that the State pays its fair share of Medicaid costs.

KAPIOLANI
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AT PALI MOMI



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FOR WOMEN & CHILDREN



Straub
CLINIC & HOSPITAL

 **Wilcox Health**

Our Congressional representatives worked hard to ensure that Hawaii be eligible for receiving adequate DSH funds this fiscal year. HB2412 would be a significant step in helping to address the current healthcare crisis by ensuring that adequate resources are made available to cover the true costs of providing care.

Thank you for your time regarding this measure. We ask that you pass HB 2412.





THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

HOUSE COMMITTEE ON FINANCE

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair

Monday, February 25, 2008 – 1:45 p.m.
State Capitol, Conference Room 308
Deliver to: Committee Clerk, Room 306, 2 copies

In Strong Support of HB 2412, Relating to Health

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Rix Maurer, and I am the Vice President of Finance at The Queen's Medical Center. I am testifying for The Queen's Medical Center in strong support for HB 2412 which appropriates \$5,774,340 to match federal funding of \$7,500,000 for the Disproportionate Share Hospital (DSH) allowance for Medicaid/Quest patients.

Medicaid/Quest is the cornerstone of health care for our most needy population. Hawaii's hospitals in particular have been detrimentally affected by the inadequacy of Medicaid/Quest reimbursements and payments, and have annually lost tens of millions of dollars because government reimbursement is far below the cost of providing medical care. In fiscal year 2007, The Queen's Medical Center treated over 4,100 inpatients and 27,000 outpatients who were covered by Medicaid/Quest. The November 2007 report "Financial Trends of Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers" by the Healthcare Association of Hawaii found that 2006 Medicaid/Quest losses for hospitals were approximately \$63,500,000.

The combined federal and state funding will provide an additional \$13,274,340 to Hawaii's hospitals to supplement the reimbursement shortfall for Medicaid/Quest patients. Without state matching funds, the federal funding will be lost. Your support and approval of HB 2412 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.