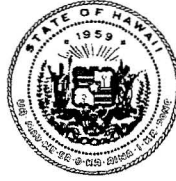


LINDA LINGLE  
GOVERNOR



LILLIAN B. KOLLER  
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DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

March 28, 2008

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2041 – RELATING TO HEALTH**

Hearing: Friday, March 28, 2008 3:15 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 supports 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 by Congress for Hawaii for 2008. 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 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.



HOUSE COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

Conference Room 308  
March 28, 2008 at 3:15 p.m. (Agenda #2)

**Testimony in support of SB 2041.**

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in strong support of SB 2041, which appropriates State funds to match federal funding to help sustain hospitals that provide care for low-income patients, many of whom cannot afford to pay for their care.

The Association would like to acknowledge the efforts of the current administration, Hawaii's Congressional Delegation, and the State Legislature in providing a series of DSH payments to Hawaii's hospitals. Several years ago the current administration aggressively pursued and secured federal DSH funds. Subsequent funding was obtained through the assistance of Hawaii's Congressional Delegation. Federal DSH funds have been matched by the Legislature in the past, and we seek that again today.

Hospitals and other health care providers are suffering financially because of low payments by Medicare, Medicaid, and private health care insurers. DSH funding recognizes that hospitals provide care to a substantial number of patients who do not have the financial resources to pay for their care because they are poor and lack health care insurance. The \$5.8 million appropriation contained in this bill is the required match to draw down \$7.5 million in federal funds that are available. The funding would be very much appreciated. However, it should be noted that the DSH funding covers only a small part of the costs of caring for patients who cannot pay for their care.

In addition to supporting Hawaii's hospitals, the federal funds represent an infusion of money into Hawaii's economy during these times of deteriorating economic conditions and suggestions of a national recession.

For the foregoing reasons the Healthcare Association strongly supports SB 2041.

# Hawaii Pacific Health

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

[2 Copies]

Friday, March 28, 2008 – 3:15pm  
Conference Room 308  
Agenda #2

## The House Committee on Finance

To: The Honorable Marcus Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice-Chair

From: Virginia Pressler, MD, MBA  
Executive Vice President

Re: **Testimony in Strong Support of SB 2041 - Relating to Health**

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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 SB 2041 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 has not qualified for DSH dollars. This bill would authorize \$5,774,340 enabling the State to release its matching share to secure these Federal funds. The private hospitals most recently received \$17.7M as a result of \$7.7M released by the State due to similar legislation passed last session. This will help to alleviate the cost of uncompensated care private hospitals incur in order to provide care to uninsured and Medicaid patients, including Quest patients. For the combined Hawaii Pacific Health affiliated hospitals, this amount totals more than \$18M.

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.

Our Congressional representatives worked hard to ensure that Hawaii be eligible for receiving adequate DSH funds this fiscal year. SB 2041 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 SB 2041.



Testimony of  
Frank P. Richardson  
Executive Director of Government Relations

Before:  
House Committee on Finance  
The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair

March 28, 2008  
3:15 PM  
Conference Room 308

**SB 2041 RELATING TO HEALTH (DSH Match)**

Chair, Vice Chair, and committee members, thank you for the opportunity to provide testimony on SB2041 that would appropriate funds to match federal funding for the disproportionate share hospital allowance.

**Kaiser Permanente Hawaii supports this bill.**

The cost of delivering health care in Hawaii and across the nation continues to mount. In an effort to ensure that health care payments are sufficient to cover the actual costs of care provided to Medicaid patients in hospitals in Hawaii, Kaiser Hawaii supports this measure to appropriate the required state funds necessary to match the federal Medicaid disproportionate share hospital (DSH) appropriation of \$7,500,000 for Hawaii in 2008.

The proposed State appropriation of \$5,774,340, together with the federal appropriation, will help support funding of quality health care for the State of Hawaii's Medicaid population, and provide much needed assistance in covering the actual costs of the care provided.

Thank you for the opportunity to comment.



# 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

Friday, March 28, 2008 – 3:15 p.m.  
State Capitol, Conference Room 308  
*Deliver to: Room 306, 2 copies*

### In Strong Support of SB 2041, 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 SB 2041 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 SB 2041 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.