

Hawaii Association of Health Plans

January 30, 2008

The Honorable David Ige, Chair
The Honorable Suzanne Chun Oakland, Chair
Senate Committees on Health and Human Services and Public Housing

Re: SB 2101 – Relating to Health Insurance

Dear Chair Ige, Chair Chun Oakland and Members of the Committees:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans (“HAHP”). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare
Hawaii Medical Assurance Association
HMSA
Hawaii-Western Management Group, Inc.

MDX Hawai‘i
University Health Alliance
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a Legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify on SB 2101 which would establish a State Health Authority to propose a plan to provide medical assistance for all citizens of Hawaii. We recommend that the committee hold this bill for the reasons stated below.

During the 2005 legislative session, the Hawaii Health Care Task Force was created via HB 1304 to develop a plan for implementing health care for all the residents of Hawaii. To accomplish this goal, The Lewin Group was contracted to perform a study on this issue. The language contained in the measure before you today would seem to be requesting the State perform work which has already been accomplished by the Task Force rendering it duplicative and possibly unnecessary.

Thank you for the opportunity to offer comments today.

Sincerely,

Rick Jackson
President

Hawaii Pacific Health

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

[5 Copies]

Wednesday, January 30, 2008 – 1:15pm

Conference Room 016

The Senate Committee on Health

To: The Honorable David Ige, Chair
The Honorable Carol Fukunaga, Vice Chair

The House Committee on Human Services & Public Housing

To: The Honorable Suzanne Chun-Oakland, Chair
The Honorable Les Ihara, Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: Testimony in Strong Support of SB 2041 - 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 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 did not qualify for DSH dollars. This bill would authorize \$5,774,340 as the State's matching share.

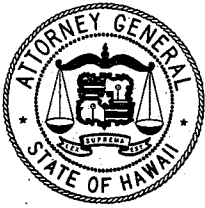
The real problem facing all Hawaii Hospitals is inadequate reimbursement by Medicaid and Medicare for medical services. On average, Hawaii hospitals lose 20 cents on every \$1.00 spent to provide care for a Med-Quest patient and 21 cents on every Medicare patient. Hawaii Pacific Health provides care 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.

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.



LATE TESTIMONY

TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

S.B. NO. 2101, RELATING TO HEALTH INSURANCE.

BEFORE THE:

SENATE COMMITTEES ON HEALTH AND ON HUMAN SERVICES AND PUBLIC HOUSING.

DATE: Wednesday, January 30, 2008 **TIME:** 1:15 PM

LOCATION: State Capitol, Room 016
Deliver to: Committee Clerk, Room 215, 1 copies

TESTIFIER(S): Mark J. Bennett, Attorney General
or Lee Ann N.M. Brewer, Deputy Attorney General

Chairs Ige and Chun Oakland and Members of the Committees:

The Attorney General opposes the language in section 1 of this measure that replaces the Department of Human Services ("the Department") with the state health authority as the designated state Medicaid agency, effective January 1, 2009.

The purpose of this measure is to establish the state health authority ("the Authority"), which will, generally, propose a plan to purchase all health care for all residents of the State. The plan is to be submitted prior to the 2009 legislative session, and be implemented no later than January 1, 2010.

Section 1 of the measure provides that the Authority is to be the designated state Medicaid agency (called the "single State agency" under federal Medicaid rules) beginning on January 1, 2009. It is not necessary for the Authority to be the "single State agency" in order to perform the planning functions described in this measure, and therefore this designation of a new "single State agency" is unnecessary, and should be deleted.

Even assuming that redesignation of the "single State agency" is desired or necessary for purposes of this measure, the measure as drafted is not sufficient to shift responsibility for administering the Medicaid program from the Department to the Authority. Federal regulations require that the designation of the "single State agency"

be set forth in the Medicaid State Plan, which is subject to approval by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. 42 CFR §431.10(b). The designation must also include a certification by the State Attorney General, citing the legal authority for the "single State agency" to administer and supervise the administration of the plan, and to make rules relating to the administration of the plan. 42 CFR §431.10(b). This measure does not provide that authority, and therefore, the Attorney General would not be able to make the necessary certification.

In addition, it is not clear whether the Authority is being established as a separate department, or as an agency placed within a department. Article V, section 6 of the State Constitution provides that "[a]ll executive and administrative offices, departments and instrumentalities of the state government and their respective powers and duties shall be allocated by law among and within not more than twenty principal departments Temporary commissions or agencies for special purposes may be established by law and need not be allocated within a principal department." This measure appears to create a permanent agency, since the Authority becomes the state Medicaid agency. However, the measure does not identify whether the Authority is to be a new department, or placed within an existing department. If the designation of the Authority as the "single State agency" is deleted, the status of the Authority as a temporary commission or agency for special purposes under article V, section 6 of the State Constitution should be clarified.

Finally, replacement of the "single State agency" will likely involve substantial implementation challenges, which must be addressed in order to avoid liability to the State. The Med-QUEST Division ("MQD") of the Department is a complex agency, organized to meet a myriad of federal requirements relating to administration of the Medicaid program. Administrative rules relating to the numerous programs and benefits are voluminous, and have been adopted by both the MQD and the Department's Social Services Division. Numerous provider

agreements and contracts have been entered into by the Department to support delivery of and payment for services, and other administrative functions. Failure to appropriately transfer these functions could result in serious disruption of services to Medicaid recipients, and liability for the State of Hawaii for failure to comply with the Medicaid State Plan and other federal requirements, including the loss of federal funding.

Based on the foregoing, the Attorney General respectfully requests that (1) section 1 of this measure be amended to remove the designation of the Authority as the "single State agency," (2) wording be added to clarify the Authority's status under article 5, section 6 of the State constitution, and (3) the Authority's planning function include an analysis of whether the current "single State agency" should be replaced and, if so, a plan for how the transfer of the "single State agency's" functions can be achieved while ensuring that services will be uninterrupted and federal funding secure.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HEALTH AND
HUMAN SERVICES AND PUBLIC HOUSING
ON
SENATE BILL NO. 2101

January 30, 2008

RELATING TO HEALTH INSURANCE

Senate Bill No. 2101 proposes to create a State Health Authority, designated as the State Medicaid Agency, which would be responsible for developing a comprehensive plan to provide State-funded health insurance for individuals with incomes up to 300% of the federal poverty level, developing a detailed plan for purchasing all health care for all residents of the State, and adopting all optional services allowed under the Medicaid program.

We are opposed to this bill.

We have concerns on the feasibility of establishing State-funded universal health care for all Hawaii residents. It is uncertain whether the system (i.e., the State) can accommodate the additional costs of providing health care for those who are not currently insured. It is also unclear how the healthcare plans of the Employer-Union Health Benefits Trust Fund and the plans of private employers will be combined into a single entity.

Further, the bill makes the proposed State Health Authority responsible for overall health planning for the State and for determining future capacity needs of health providers, facilities, equipment, and support services providers. This responsibility duplicates the functions of the State Health Planning and Development Agency.



January 30, 2008

LATE TESTIMONY

PLEASE DELIVER
to rm 016 for:
Health/Human
Services & Public
Housing Committee
Wed
1/30/08
1:15pm

To: Sen. David Ige, Chair
Sen. Carol Fukunaga, Vice Chair
Senate Health Committee

Sen. Suzanne Chun Oakland, Chair
Sen. Les Ihara, Vice Chair
Senate Human Services and Public
Housing Committee

From: Cynthia J. Goto, M.D., President
Linda Rasmussen, M.D., Legislative Co-Chair
Philip Hellreich, M.D., Legislative Co-Chair
Paula Arcena, Executive Director
Dick Botti, Government Affairs Liaison

Re: SB2101 Relating to Health Insurance
(establishes the state health authority to propose a plan to provide medical assistance for all citizens of Hawaii.)

The Hawaii Medical Association opposes SB2101.

The HMA strongly believes that every member of our society needs and deserves a core group of medical and surgical benefits, including Psychiatry and addiction medicine. Over and above these benefits, the HMA generally favors free market solutions and opposes mandated benefits.

Demand for health care is infinite and placing health care decisions in the hands of our government and insurers will not increase the effectiveness of healthcare. Instead, it will result in the rationing of health care services, long delays for needed surgery, denial of necessary but expensive high tech therapies and diagnostic procedures, and inhibit the development of new therapies and diagnostic procedures.

In Canada, thousands of wealthier Canadians head south to the U.S. for many needed services unavailable in Canada. In England and Canada, patient over the age of 65 are denied open heart surgery, kidney transplants and other critical medical treatment. Those who cannot afford to travel to buy their medical treatment elsewhere, simply go without. In England, 40% of the population now purchases private health insurance, over and above the high taxes they pay for government health care, because necessary therapies are denied or delayed.

If we adopt a government run system, we will have constant battles in the legislature about what benefits should be available, what reimbursements should be made, etc. and the whole health care delivery system will be politicized.

Rather than create a government controlled healthcare system, we suggest the legislature direct its focus to medical liability reform, a major cause of our patient access to care crisis. Medical liability reform has been proven to reduce costs and increase access to healthcare.

Thank you for the opportunity to provide this testimony.

OFFICERS

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