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March 28, 2008

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2542, S.D. 2, H.D. 1 RELATING TO PUBLIC HEALTH**

Hearing: Friday, March 28, 2008, 3:15 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to ensure that the community health center system remains financially viable and stable in the face of the increasing needs of the population of uninsured and underinsured residents by creating a process whereby community health centers and rural health clinics will receive supplemental Medicaid payments and seek modifications to their scope of services. This bill also provides an appropriation to the Department of Health (DOH) to pay federally qualified community health centers (FQHC) for services for the uninsured.

DEPARTMENT'S POSITION: The Department of Human Services and the Hawaii Primary Care Association (HPCA) have been meeting to discuss the proposed

amendments to the Hawaii Administrative Rules (HAR) and have reached agreement on a draft as captured in S.B. 2542 S.D.2.

The Department has drafted a State Plan Amendment (SPA) and it is currently in review with Hawaii Primary Care Association and the FQHCs. A meeting on March 31, 2008 has been scheduled between the Department of Human Services, the Hawaii Primary Care Association and the FQHCs to discuss the drafted amendments.

Both DHS and HPCA are in agreement that no supplemental funds for State Fiscal Year 2008-2009 are required for DHS to implement the proposed amendments to the HAR.

DHS defers to the Department of Health regarding Sections 5 and 6 – appropriation to DOH for direct medical care to the uninsured.

Thank you for the opportunity to comment on this bill.



Hawai'i Primary Care Association

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To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 2542, SD2, HD1
Relating to Public Health
Submitted by Beth Giesting, CEO
March 28, 2008, 3:15 p.m. agenda, Room 308

This bill is the Hawai'i Primary Care Association's highest priority this session.

Federally Qualified Health Centers are experts in improving the health of people who have the most complex mix of social, economic, and health problems, including those who have neglected care due to lack of access to other health providers, the homeless, the poor, the uninsured, Medicaid and Medicare enrollees, people with special language or cultural needs, and residents of rural areas. Hawai'i has a network of 14 independent nonprofit community health centers with 46 service sites on six islands serving more than 100,000 individuals per year. While community health centers can and should be key components of health care system improvement, they require stable financial resources to assume this role. Two of the most important sources of community health center operating revenues are the Med-QUEST program and subsidies for care for the uninsured; both of these are addressed by this bill.

Med-QUEST Rules. Since 2001, the federal government has required that Federally Qualified Health Centers (FQHCs, otherwise known as Community Health Centers) be paid under a "prospective payment system," or PPS. Subsequently, Med-QUEST Division established rules to administer PPS, but they turned out to be so inadequate or vague that they are in fact harmful to Community Health Centers. The Hawai'i Primary Care Association has worked with the Department of Human Services to amend their rules, most intensively since December 2004 when Director Koller told us that she would expedite changes to them. Since that time we have pursued rule revision with three Med-QUEST Division Directors, submitted at least seven drafts of rules with changes that were requested by the Department, and followed up through countless letters, phone calls, and meetings. In 2006, the Department was ordered in the settlement of a suit brought against them by AlohaCare to work with the Hawai'i Primary Care Association to modify the PPS rules. All this has been to no avail; however, due to Legislative consideration of our several PPS bills this session we have been able to meet with the Med-QUEST Administration and agree on language to correct the rules. This bill now reflects the agreed-upon changes:

Payment Timeline. Because most of Hawai'i's Medicaid enrollees are in the QUEST managed care program, the State is obligated to reconcile and pay the difference between what the FQHCs were paid by the managed care plans and what they should have been paid under PPS. According to a 2007 case in federal court in Maryland, a state needs to ensure that FQHCs are paid in full within four months of delivery a service. The State is currently out of compliance with the Maryland decision but the bill describes how that will be addressed

Change in Scope. Hawai'i depends on Community Health Centers to grow, expand, meet regulatory requirements, improve facilities, and acquire and use up-to-date health information technology. All these expansions and improvements will change the cost of delivering care. Under federal law, the rules for PPS

need to include a straightforward and fair methodology for calculating rate changes that are necessitated by such changes in the scope of a FQHC's service. However, Hawai'i's current rules establish a procedure for calculating rate changes based on change of scope that is virtually impossible to use. This bill addresses that shortcoming by substituting a workable formula for calculating new PPS rates when FQHCs change the scope of their services.

Payment for Perinatal Care. Some of Hawai'i's FQHCs provide perinatal and delivery services; care that is in scarce supply for Med-QUEST beneficiaries. However, Med-QUEST insists upon reimbursing these services by means of a "global" rate that consolidates reimbursement for out-patient prenatal care and inpatient deliveries into a single lump sum payment. This global rate does not adequately reimburse FQHCs for the costs of providing the PPS-eligible out-patient portion of prenatal care. This bill would permit FQHCs to bill for prenatal services and, in so doing, remove economic disincentives for FQHCs to provide much needed prenatal care to expectant mothers who are Med-QUEST beneficiaries.

We would like to emphasize several important points about this proposed legislation:

- First, we are not asking for the State to pay for any services that are not already included in the State Medicaid Plan. This bill merely implements changes in the Med-QUEST payment formula that are necessary for the State to comply with the federal requirement that it make timely payments to FQHCs that fully cover the costs of providing services to Medicaid beneficiaries, both now and in the future.
- Second, the State is not currently in compliance with federal law on a PPS reconciliation timeline or with the settlement agreement that was filed in the United States District Court for the District of Hawai'i in 2006 that required the State to work with the Hawai'i Primary Care Association and the FQHC to develop new, workable PPS rules.
- Third, we acknowledge that PPS rules would ordinarily be changed by Administrative action. However, after years of unsuccessful efforts to achieve workable rules to implement the federally-mandated PPS reimbursement methodology through administrative channels, the Hawai'i Primary Care Association and Hawai'i's FQHCs no longer believe that administrative action, by itself, is a reliable means of resolving the growing financial crisis that the lack of usable rules has created for the State's FQHCs. The Community Health Centers are a primary source of care for many people in Hawai'i who are economically disadvantaged and either must rely on the QUEST program to pay for their medical care or are simply uninsured. We have a duty to our patients to take aggressive action when it is needed to maintain our ability to provide that care. Our support for this bill is a response to that duty.

Uninsured Funding. In this bill we are asking the Legislature to renew the **\$2 million** appropriation for the uninsured granted during the 2006 session. Since the funding was not provided during the current fiscal year, the Community Health Centers will run out of state funding to subsidize the costs of their uninsured visits and will have to divert resources from other operating priorities to complete the fiscal year. It should be noted that State funds cover only about 2/3rds of the cost of care. Every dollar provided to subsidize care for the uninsured at Community Health Centers saves the State considerably more by reducing Emergency Room visits, reversing the progress of conditions that might otherwise require hospitalization, and helping people regain productive good health. Other on-going funds for the uninsured appear in the DOH departmental budget. These funds allow community health centers to provide medical, behavioral health, dental, and prescription services to Hawai'i's uninsured residents.

We are very grateful for the opportunity to testify in favor of this measure which is one of the most important and cost-effective actions the Legislature can take to support Hawai'i's health care system.



**TESTIMONY *IN SUPPORT* OF SB 2542 SD 2 HD1:
RELATING TO PUBLIC HEALTH**

**SUBMITTED TO: COMMITTEE ON FINANCE
HEARING DATE: MARCH 28, 2008
SUBMITTED BY: Richard Bettini, Chief Executive Officer**

There are two extremely important parts to this bill that impact community health centers, the first being resolution of Prospective Payment System (PPS) issues with Department of Human Services and the second being appropriations for services to the uninsured through the Department of Health. The Waianae Coast Comprehensive Health Center strongly **supports all provisions of SB 2542 SD 2 HD 1 with one additional inclusion related to PPS**, and considers its passage essential to the maintenance and development of Hawaii's community health centers.

Part I: The Health Center is pleased that recent discussions between the Department of Human Services and community health centers has resolved the majority of concerns that health centers have been raising over the past years.

But, we now believe that the Legislature must put the specific PPS rule language negotiated with the Department of Human Services into statute to assure continued progress after the close of the Legislature. This could be accomplished by attaching a definite date into this bill that enacts default rules if other rules are not enacted by DHS/community health center agreements.

PART II: In 2007 the Health Center provided services to 26,315 individuals through 140,000 encounters. Despite a proactive approach in supporting uninsured patients by assisting them in completing the QUEST application process, there has remained a constant uninsured population of 16% - 19% annually over the past 5 years.

Uninsured funding is extremely important to the Waianae community and for those who are uninsured. Please support this bill.

Mahalo.



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KALIHI-PALAMA HEALTH CENTER
Hale Ho'ola Hou – House of New Life

To: **House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in SUPPORT of Senate Bill 2542
Relating to Public Health
Submitted by Emmanuel Kintu, Chief Executive Officer
March 28, 2008 3:15 p.m. Agenda, Room 308

As the Chief Operating Officer of Kalihi-Pālama Health Center, we strongly support this measure. The Kalihi-Pālama Health Center serves more than 12,000 people per year, 37% of patient visits are uninsured, 49% of visits are covered by Med-QUEST and 91% of our patients are below 200% of poverty.

The Kalihi-Pālama Health Center, like other community health centers across the state, relies heavily upon Med-QUEST and state uninsured funding to support our services. We ask the legislature to support the two critical aspects of this bill:

- Fix Med-QUEST rules to clarify processes for when and how much Kalihi-Pālama Health Center and other health centers are paid. As a business we rely on these rules to plan, expand, and carry-out our services.
- Increase the amount of funding available for services for the uninsured. We serve a large number of adults who are not eligible for public assistance program like Med-QUEST and who cannot afford private insurance.

Thank you for the opportunity to support this measure which is so important to my health center and the people we care for.



Aloha United Way

KALIHI-PALAMA HEALTH CENTER is a 501(c)3 non-profit, federally qualified, community health care center.

West Hawaii Community Health Center, Inc.

Ola Ke Ola Waena O Hawai`i Komohana

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To: **House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in SUPPORT of Senate Bill 2542 Relating to Public Health

**Submitted by Richard Taaffe, Executive Director
March 28, 2008, 3:15 p.m. Agenda, Room 308**

As the Executive Director of the West Hawaii Community Health Center, we strongly support this measure. The West Hawaii Community Health Center serves more than 3,000 people per year, 42% of patient visits are uninsured, 34% of visits are covered by Med-QUEST and 87% of our patients are below 200% of poverty.

The West Hawaii Community Health Center, like other community health centers across the state, relies heavily upon Med-QUEST and state uninsured funding to support our services. We ask the legislature to support the two critical aspects of this bill:

- Fix Med-QUEST rules to clarify processes for when and how much West Hawaii Community Health Center and other health centers are paid. As a business we rely on these rules to plan, expand, and carry-out our services.
- Increase the amount of funding available for services for the uninsured. We serve a large number of adults who are not eligible for public assistance program like Med-QUEST and who cannot afford private insurance.

Thank you for the opportunity to support this measure which is so important to my health center and the people we care for.



Hamakua Health Center, Inc.

**45-549 Plumeria Street
Honokaa, Hawaii 96727**

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

Testimony in Support of Senate Bill 2542, SD2, HD1
Relating to Public Health
Submitted by Susan B. Hunt, MHA, Executive Director
March 28, 2008 3:15 p.m. agenda, Room 308

The Hamakua Health Center, Inc. strongly endorses this measure and appreciates the Legislature's long history of support for community health centers. Now more than ever, our health center is vitally important to the overall capacity of our strained health care system. The population in the North Hilo, Hamakua and North Kohala Districts is aging and more frequently experiencing complicated and expensive chronic conditions. Four primary care private practices have closed since June 2006 leaving patients no where to turn in many cases but Hamakua Health Center's two clinics. One third of the HHC patient population has substance abuse and behavioral health problems. Hospitals and clinicians are sending uninsured patients to us because of the rising costs of uncompensated care.

Hamakua Health Center relies on a complex array of federal, state, and private funding to support our programs. The single most important source of health center funding is the Med-QUEST program, which includes one third of the revenue for our health center. The Prospective Payment System (PPS) for health centers covers most of the costs of care for Med-QUEST patients; more than half of these funds are supplied by the federal government.

PPS has been around since 2001 and is crucial to the financing of community health centers but critical rules and procedures for its implementation have still not been developed. This bill would 1) define the process and timeline under which CHCs would be paid, essential to dependable cash flow; 2) establish a clear procedure to determine if a change in a CHC's payment rate is needed to reflect additions in services or new costs related to operations; and 3) define which of the many CHC services are subject to PPS rules and which are not.

We also need funds from the Department of Health that are adequate to subsidize all our uninsured visits and not just through the first three quarters of the year.

I am very grateful for the opportunity to testify in favor of this measure. We believe that providing support to FQHCs is one of the most important actions the Legislature can take to support Hawai'i's health care system.



To: **House Committee on Health**
The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair

Testimony in SUPPORT of Senate Bill 2542
Relating to Public Health
Submitted by Shelia Beckham, Executive Director
March 28, 2008 3:15 p.m. Agenda, Room 308

As the Executive Director of Waikiki Health Center, we strongly support this measure. The Waikiki Health Center serves more than **5,000** people per year, **67%** of patient visits are uninsured, **15%** of visits are covered by Med-QUEST (**93%** of our patients are below 200% of poverty.

The Waikiki Health Center, like other community health centers across the state, relies heavily upon Med-QUEST and state uninsured funding to support our services. We ask the legislature to support the two critical aspects of this bill:

- Fix Med-QUEST rules to clarify processes for when and how much Waikiki Health Center and other health centers are paid. As a business we rely on these rules to plan, expand, and carry-out our services.
- Increase the amount of funding available for services for the uninsured. We serve a large number of adults who are not eligible for public assistance program like Med-QUEST and who cannot afford private insurance.

Thank you for the opportunity to support this measure which is so important to my health center and the people we care for.



Aloha United Way

KALIHI-PALAMA HEALTH CENTER is a 501(c)3 non-profit, federally qualified, community health care center.

To: **House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

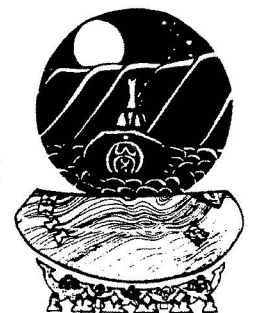
Testimony in SUPPORT of Senate Bill 2542
Relating to Public Health
Submitted by May Akamine, Executive Director
March 28, 2008 3:15 p.m. Agenda, Room 308

As the Executive Director of the Waimānalo Health Center, we strongly support this measure. The Waimānalo Health Center serves more than 3,000 people per year, 27% of patient visits are uninsured, 46% of visits are covered by Med-QUEST and 100% of our patients are below 200% of poverty.

The Waimānalo Health Center, like other community health centers across the state, relies heavily upon Med-QUEST and state uninsured funding to support our services. We ask the legislature to support the two critical aspects of this bill:

- Fix Med-QUEST rules to clarify processes for when and how much Waimānalo Health Center and other health centers are paid. As a business we rely on these rules to plan, expand, and carry-out our services.
- Increase the amount of funding available for services for the uninsured. We serve a large number of adults who are not eligible for public assistance program like Med-QUEST and who cannot afford private insurance.

Thank you for the opportunity to support this measure which is so important to my health center and the people we care for.



Waimanalo Health Center

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FINTestimony

From: Maui Girl [Eve_Clute@uiuonline.org]
Sent: Thursday, March 27, 2008 11:22 AM
To: FINTestimony
Subject: Re: SB 2542, SD2, HD1 strongly support

----- Original Message -----

From: Maui Girl

Sent: Wednesday, March 26, 2008 8:57 AM
Subject: SB 2542, SD2, HD1 strongly support

DATE: Friday, March 28, 2008
TIME: 3:15 P.M.
PLACE: Conference Room 308

I strongly support SB 2542, SD2, HD1 which describes a method for covering costs of the community health center system. To prevent the spread of contagious disease, and maintain the health of Hawaii's working poor, a subsidy of the community clinics is essential. Federal money can be obtained to cover the costs.

Eve Clute [doctor of public health]