LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEES ON HEALTH
AND HUMAN SERVICES

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Friday, February 6, 2009
9:00 a.m.

TESTIMONY ON HOUSE BILL NO. 708 – RELATING TO HEALTH CARE.

TO THE HONORABLE RYAN I. YAMANE AND JOHN M. MIZUNO, CHAIRS, AND MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department supports this bill.

We have heard that many hospitals are losing money. This is a perilous situation for the public, particularly as regards critical access hospitals and federally qualified health centers which provide necessary care to the community. Requiring commercial health plans to provide a minimum floor of funding may help to ensure that these facilities can keep operating and provide services.

We thank these Committees for the opportunity to present testimony on this matter and ask for your favorable consideration.

Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
www.hawaiipca.net

To: **The House Committee on Health**
The Hon. Ryan I. Yamane, Chair
The Hon. Scott Y. Nishimoto, Vice Chair

Testimony in Support of House Bill 708
Relating to Health
Submitted by Beth Giesting, CEO
February 6, 2009, 9:00 a.m. agenda, Room 329

The Hawaii Primary Care Association asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

Speaking for FQHCs, these enhanced rates are provided both so that they won't have to use federal grants to subsidize the cost of public insurance programs but also in recognition of the additional services that are needed by and provided to FQHC patients. These include offering care with linguistic and cultural competence; ensuring transportation is available; and providing extensive care management that includes outreach, follow-up, referral arrangements, and application assistance. FQHCs also provide medical, behavioral health, and dental care all on the same site which increases the likelihood that patients will get all the primary care they need in a timely and appropriate way. The integration of behavioral health with medical care is particularly clinically and financially effective. Some FQHCs also serve geographically isolated places where it isn't economically feasible for other care providers to practice and this may result in higher unit costs as well.

We estimate that FQHCs earn $5-7 million less per year from private insurers than it costs to deliver care to patients covered by these plans. At the same time the FQHCs saved more than $46 million[1] for the plans in the care they delivered to privately insured patients. These savings are due to the FQHC model of care that provides comprehensive and timely primary clinical and management services which greatly reduce duplicative diagnostic testing, specialty referrals, ER use, and hospitalization.

We believe this measure deserves your thoughtful consideration and appreciate the opportunity to provide this testimony.

---

[1] A study prepared by the Robert Graham Center using Medical Expenditure Panel Survey data for 2007 shows that FQHCs save an average of $1,914 per privately insured patient per year when compared to the private practice system. $1,914 x 24,364 privately insured patients served by FQHCs in 2007 = $46.6 million.

KONA
COMMUNITY HOSPITAL
Care You Can Count On

Committee on Health
Representative Ryan I. Yamane, Chair
Representative Scott Y. Nishimoto, Vice Chair

Committee on Human Services
Representative John M. Mizuno, Chair
Representative Tom Brower, Vice Chair

Friday, February 6, 2009
9:00 a.m.
Conference Room 329
Hawaii State Capitol

HB 708 - Relating to Healthcare Requires commercial health plans licensed to do business in the State to pay no less than 101% of costs for all services provided to plan beneficiaries by critical access hospitals and federally qualified health centers

On behalf of the West Hawaii Region of HHSC, thank you for the opportunity to provide testimony supporting the intent of HB 708.

This bill would require non-government health plans, licensed to do business in Hawaii, to reimburse critical access hospitals (CAH) and federally qualified health centers (FQHCs) at rates consistent with Medicare and Medicaid reimbursement rates. The bill would require insurers other than government payers to reimburse CAHs at a rate not less than one hundred and one percent of costs, consistent with the Medicare reimbursement rate, for all services rendered to health plan beneficiaries and to pay FQHCs no less than their respective payment system rates.

This bill will enable CAHs and FQHCs to continue to provide the current levels of services to patients in rural communities, whose access to limited hospital services and outpatient services is adversely affected by the decreasing amounts of reimbursements from commercial health plans.

Currently, government subsidizes the cost of providing healthcare services to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers by CAHs and FQHCs, because health plans in Hawaii do not pay the full cost of care provided to plan beneficiaries.

Hawaii's ability to provide safety net services will significantly degrade, if commercial health plans continue to pay amounts that do not cover the costs for providing care, unless the state provides increased subsidies to CAHs and FQHCs to cover operating losses. Financial and social burdens will fall increasingly on agencies of the state and county governments because of the health and economic impact of declining and degrading healthcare services if government

KONA COMMUNITY HOSPITAL
Hawaii Health Systems Corporation
79-1019 Haukapila Street
Kealakekua, HI 96750
(808) 322-9311

would not continue to subsidize costs of healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers.

It is estimated that the enactment of this legislation would provide approximately $5 million annually in increased reimbursements to CAHs and over $47 million over eight years assuming same service levels and 5% inflation per year. For FQHCs, the annual increase in reimbursement would be $7.3 million, and almost $68 million over eight years.

HB 700 (also on today's hearing agenda) and HB 708 are both intended to enable CAHs and FQHCs to continue to provide the current levels of services to patients in rural communities, whose access to limited hospital services and outpatient services is adversely affected by the declining reimbursements from commercial health plans. It is my understanding that HB 700 better defines the requirement for full cost payments to FQHCs and CAHs. Therefore, I respectfully recommend that HB 700 be passed forward by the committee as the legislative vehicle to accomplish the purposes of this bill.

Respectfully submitted,

Earl Greenia
Chief Executive Officer
West Hawaii Region - Hawaii Health Systems Corporation
Kona Community Hospital and Kohala Hospital

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

February 4, 2009

Honorable Ryan I. Yamane, Chair
Honorable Scott Y. Nishimoto, Vice Chair
Committee on Health
Honorable John M. Mizuno, Chair
Honorable Tom Brower, Vice Chair
Committee on Human Services
House of Representatives
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: H.B. No. 708, RELATING TO HEALTH CARE

Dear Chairs Yamane and Mizuno, Vice Chairs Nishimoto and Brower, and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written testimony with respect to House Bill No. 708, relating to health care which is to be heard by your Committees on Health and on Human Services on February 6, 2009.

H.B. No. 708 is intended to require that commercial health plans licensed to do business in the State pay no less than 101% of the costs for all services provided to plan beneficiaries by critical access hospitals and federally qualified health centers. While this requirement may be appropriate for primary managed-care health insurance policies, there are certain types of supplementary health insurance for which such a requirement clearly would not be appropriate. Specifically, there are certain types of limited benefit insurance which are fixed indemnity policies that pay a specific fixed amount directly to the policy holders, based on specific occurrences of treatment or disease, regardless of the costs incurred, *i.e.*, are not reimbursement policies.

At present, limited benefit insurance policies allow consumers to acquire supplemental insurance coverage for a fixed amount regardless of the costs incurred, for example for hospital confinement, at a low cost. Requiring limited benefit insurance to pay on a cost basis will harm consumer by either unnecessarily increasing the cost of limited benefit insurance and/or causing such insurance to become unavailable altogether.

P.O. Box 2800 • Honolulu, Hawaii 96803-2800
Five Waterfront Plaza, 4th Floor • 500 Ala Moana Boulevard • Honolulu, Hawaii 96813
Telephone: (808) 529-7300 • FAX: (808) 524-8293

For the foregoing reasons, we support the amendment of Section 2 of H.B. No. 708 to delete from its coverage "limited benefit insurance" by adding to the new section to be added to Hawaii Revised Statutes chapter 431, Article 10, the following subsection, which is based upon the language currently contained in Hawaii Revised Statutes section 431:10A-121:

> "(f) This section shall not apply to an accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policy."

(Additional language underscored.)

As noted, these types of policies are supplemental to an insured's primary health insurance policy and are not reimbursement policies. Applying the requirements of H.B. No. 708 to limited benefit health insurance will only deprive consumers of the ability to purchase such supplemental insurance coverage, without any benefit to the consumers.

Thank you for your consideration of the foregoing.

Very truly yours,

McCORRISTON MILLER MUKAI MacKINNON LLP

Peter J. Hamasaki

LĀNA'I WOMEN'S CENTER DBA LĀNA'I COMMUNITY HEALTH CENTER

P. O. Box 630142
Lāna'i City, HI 96763-0142

Phone: 808-565-9196
Fax: 808-565-6229
E-mail: dshaw@wave.hicv.net

House HUS/HLT hearing
Thursday, February 6, 2009
9:00am
Conference room 329

To: **The House Committee on Health**
The Hon. Ryan I. Yamane, Chair
The Hon. Scott Y. Nishimoto, Vice Chair

Testimony in Support of House Bill 708
Relating to Health
Submitted by Diana V. Shaw, PhD, MPH, MBA, FACMPE, Executive Director
February 6, 2009, 9:00 a.m. agenda, Room 329

The **Lāna'i Women's Center dba Lāna'i Community Health Center** asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Our Center is recognized by the federal government as an essential community provider and is guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

The enhanced rates that we receive are provided both so that we won't have to use federal grants to subsidize the cost of public insurance programs but also in recognition of the additional services that are needed by and provided to our patients. These include offering care with linguistic and cultural competence; ensuring transportation is available; and providing extensive care management that includes outreach, follow-up, referral arrangements, and application assistance. Our community health center also provides medical, behavioral health, and dental care which increases the likelihood that patients will get all the primary care they need in a timely and appropriate way. The integration of behavioral health with medical care is particularly clinically and financially effective. The community of Lāna'i is very isolated and is a medically underserved population — as such our unit costs are higher than other areas where isolation is not an issue.

Our services create savings in the health care systems due to the model of care that we provide — comprehensive and timely primary clinical and management services which greatly reduce duplicative diagnostic testing, specialty referrals, ER use, and hospitalization.

I strongly urge your thoughtful consideration and appreciate the opportunity to provide this testimony.

E Ola nō Lāna'i
LIFE, HEALTH, and WELL-BEING FOR LĀNA'I

HAWAII HEALTH SYSTEMS
CORPORATION
"Touching Lives Every Day"

The House of Representatives

Committee on Health
Representative Ryan I. Yamane, Chair
Representative Scott Y. Nishimoto, Vice Chair

Committee on Human Services
Representative John M. Mizuno, Chair
Representative Tom Brower, Vice Chair

Friday, February 6, 2009, 9:00 a.m.
Conference Room #329
Hawaii State Capitol

Testimony Supporting House Bill No 708 Relating to Healthcare
Requires commercial health plans licensed to do business in the State to pay no less than 101% of costs for all services provided to plan beneficiaries by critical access hospitals and federally qualified health centers

Thomas M. Driskill, Jr.
President and Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of SB 708.

The purpose of this bill is to require health plans, other than government payers, licensed to do business in this state, to reimburse critical access hospitals and federally qualified health centers at rates consistent with Medicare and Medicaid reimbursement rates. The bill would require insurers other than government payers to reimburse critical access hospitals as defined in section 346D-1 at a rate not less than one hundred and one percent of costs, consistent with the Medicare reimbursement rate, for all services rendered to health plan beneficiaries and to pay federally qualified health centers as defined in section 1905 (1) of the Social

Security Act (42 USC 1396d) no less than their respective payment system rates determined pursuant to sections 346-53.6 to 346-53.64.

Currently, government is subsidizing the costs for healthcare services provided to beneficiaries of health plans, other than government payers, by critical access hospitals (CAHs) and federally qualified health centers (FQHCs), because health plans in Hawaii, other than government payers, are not paying for the full costs of care provided to plan beneficiaries.

It is estimated that the enactment of this legislation could provide for approximately $5 million annually in increased reimbursements to critical access hospitals and an aggregate $47,475,544 in increased reimbursements over eight years to critical access hospitals, assuming same service levels and 5% inflation per year. It is estimated that the enactment of this legislation could provide for approximately $7.3 million in increased reimbursements to federally qualified health centers, and an aggregate $67,708,495 in increased reimbursements over eight years to federally qualified health centers, assuming same service levels and 5% inflation per year.

All hospitals are adversely affected by declining reimbursement trends, but rural facilities are especially disadvantaged, due to the low volume of patients and high expense of providing care in remote areas. Federally qualified health centers (health centers) are especially disadvantaged due to low payments from commercial health plans, even though enhanced payments from government programs (Medicare and Medicaid) tend to cover operating costs. Recognizing the financial challenges faced by rural hospitals, the federal government passed 42 United States Code 1395i-4, which established the Medicare rural hospital flexibility program, a national program designed to assist states and rural communities in improving access to essential health care services through the establishment of limited service hospitals and rural health networks. The program creates the critical access hospital as a limited service hospital eligible for Medicare certification and reimbursement, and supports the development of rural health networks consisting of critical access hospitals, acute general hospitals, and other health providers.

Congress also established federally qualified health centers as a category of provider that specializes in comprehensive primary health care for underserved communities. Among mandated provisions for federally qualified health centers are cost-related reimbursement for Medicaid and Medicare services.

The U.S. Department of Health and Human Services Medicare and Medicaid Services pay critical access hospitals on the basis of one hundred and one per cent of costs for acute care inpatient and outpatient services. The State of Hawaii Department of Human Services calculates payments to critical access hospitals on a cost basis for acute inpatient and long term care services to beneficiaries of the Medicaid program.

The state's ability to provide safety net services will significantly degrade, if commercial health plans continue to refuse to pay amounts that cover the costs for providing care, unless the state continues to provide special subsidies to CAHs and FQHCs to cover operating losses of CAHs and FQHCs from providing services to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers. Financial and social burdens will fall increasingly on agencies of the state and county governments because of the health and economic impact of declining and degrading healthcare services if government would not continue to subsidize costs of healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers

HB 700, also on the agenda for today's hearing, or HB 708 are both intended to enable critical access hospitals and federally qualified health centers to continue to provide the current levels of services to patients in rural communities, whose access to limited hospital services and outpatient services is adversely affected by the decreasing amounts of reimbursements from commercial health plans. In discussions with the Department of Health and the Department of the Attorney General, we were advised that the wording in HB 700 better defines the requirement for full cost payments to FQHCs and CAHs. According to that advice we respectfully recommend that HB 700 be passed forward by the committee as the legislative vehicle to accomplish the purposes of this bill.

nishimoto2-Bryce

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2009 2:00 PM
To: HLTtestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for HB708 on 2/6/2009 9:00:00 AM

Testimony for HLT-HUS 2/6/2009 9:00:00 AM HB708

Conference room: 329
Testifier position: support
Testifier will be present: No
Submitted by: Jerry Walker
Organization: West Kauai Medical Center / KVMH
Address: 4643 Waimea Canyon Drive Waimea, HI 96796
Phone: 808-338-9431
E-mail: jwalker1@hhsc.org
Submitted on: 2/5/2009

Comments:
The Kauai Region which includes the West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, Kalaheo; Mahelona Medical Center / SMMH, supports the passage of HB708 and respectfully recommend that HB700 be passed forward by the committee as the legislative vehicle to accomplish the purposes of this bill.