

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

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

March 23, 2009

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.C.R. 55 - REQUESTING THE CENTERS FOR MEDICARE AND
MEDICAID SERVICES TO INCREASE REIMBURSEMENT TO HAWAII
PROVIDERS**

Hearing: Monday, March 23, 2009, 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this resolution is to request the Centers for Medicare and Medicaid Services (CMS) to raise the Medicare fee schedule payment amounts for physicians rendering services in Hawaii.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this resolution.

Increasing Medicare payments to providers practicing in Hawaii will not only help improve access for Medicare recipients, but by increasing provider revenue, this could facilitate better access for Medicaid recipients.

Hawaii has, in general, low reimbursement rates from the private sector. This decreased cost-shifting, in which the higher payment from the private sector helps offset the lower payment from the public sector, does not occur in Hawaii to the extent it occurs elsewhere.

Increasing the Geographic Practice Cost Index (GPCI) is an effective approach to increasing payment to Hawaii Medicare providers. The physician fee schedule has three components including work, overhead, and malpractice, and each component has its own GPCI.

The work GPCI is based on professional worker wages; lower private sector wages contribute to a lower work GPCI. The practice expense GPCI is based on physician practice employee wages and residential rents, and the malpractice GPCI is based on malpractice insurance premiums. Hawaii is ranked 22nd for work GPCI, 12th for practice expense GPCI, and 50th for malpractice expense, out of the 89 total GPICs in each category.

CMS is currently reviewing its GPCI calculation methodology. The entire State of Hawaii has the same GPCI, but the proposed options include separating the State into two GPICs which would result in increased payments to Honolulu County, but decreased payments to the other Counties.

DHS appreciates and supports the effort to increase Federal Medicare payments to Hawaii providers.

Thank you for the opportunity to comment on this bill.