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

April 1, 2009

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 423, S.D. 1, H.D. 1 – RELATING TO HEALTH**

Hearing: Wednesday, April 1, 2009, 2:00 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: While the Department of Human Services (DHS) acknowledges that this measure has merit, DHS must respectfully oppose this bill, because, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Disproportionate share hospital (DSH) payment is intended to help offset some of the cost of uncompensated care delivered by hospitals. Unlike other provider types, hospitals have no theoretic floor to their losses since they care for anyone who enters their emergency rooms.

Thanks to the efforts of Hawaii's Congressional Delegation and of others, a Federal Medicaid DSH allowance of \$2.5 million per quarter through December 31, 2009 had been previously appropriated. DSH payments through June 30, 2008 have been accessed and paid by DHS to hospitals based on a distribution formula developed by the Healthcare Association of Hawaii (HAH).

DSH funds are accessed as a Federal match to a State share that can be a new State appropriation or existing expenditure, such as certified expenditures of the Hawaii Health System Corporation (HHSC). The State share needed varies based on the Federal Medical Assistance Percentage (FMAP) at the time the Federal funds are drawn down.

While the American Recovery and Reinvestment Act of 2009 (ARRA) does increase the FMAP for Hawaii and all other states for a limited period of time, the ARRA does not allow states to use the enhanced FMAP for the purposes of determining the required state match for DSH. Additionally, although the ARRA did increase the amount of DSH available by 2.5%, Hawaii is one of the States not eligible, and the State instead had its available DSH extended for two years at the same funding level through the Children's Health Insurance Program Reauthorization Act.

Therefore, to obtain the \$10 million of DSH available for July 1, 2008 through June 30, 2009, a State share of \$8,145,527 would be needed assuming an FMAP of 55.11%. To obtain the \$10 million of DSH available for July 1, 2009 through June 30, 2010, a State share of \$8,436,578 would be needed assuming an FMAP of 54.24%.

Again, some or this entire amount does not need to be a new appropriation but could use HHSC certified expenditures. Given the State's current fiscal difficulties, we understand the prudence of minimizing new State expenditures, particularly when there is an alternative method of accessing the Federal DSH.

Also, please note that DHS has been distributing the "DSH-like" Federal funds of \$7.5 million per year to hospitals statewide since 2005 pursuant to our Medicaid 1115 waiver and DHS distributes these funds based on the same DSH formula developed by HAH. The last distribution of these funds occurred on March 11, 2009.

Thank you for this opportunity to testify.

# Hawaii Pacific Health

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

Wednesday, April 1, 2009 – 2:00pm  
Conference Room 308

## The House Committee on Finance

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

From: Virginia Pressler, MD, MBA  
Executive Vice President

Re: **Testimony in Strong Support SB 423 SD1 HD1- 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 423 SD1 HD1** 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 \$12,500,000. 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 \$10,181,909 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 again to ensure that Hawaii be eligible for receiving adequate DSH funds this fiscal year. SB 423 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 423 SD1 HD1.

KAPI'OLANI  
MEDICAL CENTER  
AT PALI MOMI



KAPI'OLANI  
MEDICAL CENTER  
FOR WOMEN & CHILDREN



**Straub**  
CLINIC & HOSPITAL



*Wilcox Health*



HOUSE COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

Conference Room 308  
April 1, 2009 at 2:00 p.m. (Agenda #5)

**Testimony in support of SB 423 SD 1 HD 1.**

The Healthcare Association of Hawaii advocates for its member organizations that span 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 express strong support of SB 423 SD 1 HD 1, which appropriates State funds that are needed to match federal Disproportionate Share Hospital funds. These federal funds are available to help sustain hospitals that provide care to low-income patients who do not have insurance and 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. It began several years ago when 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. The \$10.2 million appropriation contained in this bill is the required State match to draw down \$12.5 million in federal funds that are available. The funding would be very much appreciated by the provider institutions. It should be noted, however, that the DSH funding covers only a small portion of the total costs of caring for patients who cannot pay for their care.

In addition to supporting Hawaii's hospitals, the federal funds that would be drawn down represent an infusion of money into Hawaii that would help bolster our economy during these harsh economic times.

For the foregoing reasons the Healthcare Association strongly supports SB 423 SD 1 HD 1.



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

Date: April 1, 2009 - Conference Room 308 – 10:00 a.m.

Re: **SB 423, SD1, HD1 RELATING TO HEALTH**

Chair Oshiro and members of the committee:

My name is Barbara Kim Stanton, State Director of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 160,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

AARP strongly supports SB 423. Its purpose is to maximize the availability of the federal disproportionate share hospital allowance to the State.

Hawaii has a population of low-income citizens with limited health care options. Among them are our low-income elderly who are disproportionately affected by the rising costs of health care and other daily expenses. More than one fifth (21.2%) of Hawaii adults aged 60 and older have an income below 200% of the poverty threshold.

By securing these federal funds, Hawaii's Congressional delegation has enabled the State to increase the total amount of funding for Hawai'i hospitals to serve persons who are indigent. The availability of these funds is more critical than ever in light of the State's fiscal downturn, and will provide much needed support to safety net hospitals. These hospitals are struggling to meet the demands placed upon them by the increasing number of uninsured. It is time to help them by utilizing Hawai'i's full DSH allotment. These DSH resources will strengthen their ability to meet the increasing health care needs of our community.

Thank you for the opportunity to testify in support of this bill.



## THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

April 1, 2009 -- 2:00 p.m.  
State Capitol, Conference Room 308  
**COMMITTEE ON FINANCE**

### In Strong Support of SB 423 SD1 HD1, Relating to Health

Chair Oshiro, Vice Chair Lee and Members of the Committee,

My name is Rick Keene, and I am The Queen's Health Systems Executive VP and Chief Financial Officer. I am testifying for The Queen's Medical Center in strong support of SB 423, SD1 HD1 which appropriates State funds to match federal funding of \$12,500,000 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 2008, The Queen's Medical Center treated 4,694 inpatients and 29,785 outpatients who were covered by Medicaid/Quest. The October 2008 report "Issues Impacting Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers" by the Healthcare Association of Hawaii, found that in 2007, losses for Medicaid, Quest and uninsured patients in Hawaii were approximately \$48,100,000.

The proposed State funding of \$10,181,909, combined with the federal appropriation will supplement the reimbursement shortfall for Medicaid/Quest patients. Without state matching funds, the federal funding will be lost. Your support and approval of SB 423, SD1 HD1 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.



Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

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

April 1, 2009  
2:00 pm  
Conference Room 308  
Agenda #5

**SB 423 SD1 HD1 RELATING TO HEALTH (DSH Match)**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on SB 423 SD1 HD1 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 \$12,500,000 for Hawaii in 2009.

The proposed State appropriation of \$10,181,909, 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.

**Testimony to the House Committee on Finance  
Wednesday, April 1, 2009 at 2:00 p.m.  
Conference Room 308, State Capitol  
Agenda #5**

**RE: SENATE BILL NO. 423 SD1, HD1 RELATING TO HEALTH**

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports Senate Bill 423 SD1 HD1 relating to Health.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure appropriates money to match federal funds for medicaid.

The Chamber commends the Legislature for playing an active role in passing legislation that appropriates money to match federal funds in the past couple of sessions.

Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state's economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii's businesses. Also, Hawaii's healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements to the quality of our health care system. They include legislation that will improve payments to health care providers of essential health care services and increase long term care capacity and access statewide. Appropriating funds to match the federal funding for medicaid is the first step in the right direction to ameliorate the current state of health care in Hawaii.

In light of the above, The Chamber of Commerce of Hawaii supports SB 423 SD1 HD1 with an effective date. Thank you for the opportunity to testify.