

SB 423

**Testimony to the Senate Committees on Human Services and Health
Tuesday, February 10, 2009 at 1:15 p.m.
Conference Room 016, State Capitol**

RE: SENATE BILL NO. 423 RELATING TO HEALTH

Chairs Chun Oakland and Ige, Vice Chairs Ihara and Green, and Members of the Committees:

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 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. Thank you for the opportunity to testify.

Hawaii Pacific Health

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

Tuesday, February 10, 2009 – 1:15pm
Conference Room 016

The Senate Committee on Health

To: Senator David Ige, Chair
Senator Joshua Green, MD-Vice Chair

The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland - Chair
Senator Les Ihara Jr. - Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: Testimony in Strong Support SB 423 - 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 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.



Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
Senate Committee on Human Services
The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair
and
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Josh Green, M.D., Vice Chair

February 10, 2009
1:15 pm
Conference Room 016

SB 423 RELATING TO HEALTH (DSH Match)

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on SB423 that would appropriate money 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.



To: Senate Committee on Human Services
Senator Suzanne Chun Oakland, Chair

Senate Committee on Health
Senator David Y. Ige, Chair

Date: February 10, 2009 - Conference Room 016 – 1:15 pm

Re: SB 423, Relating to Health

Chairs Chun Oakland and Ige and Committee Members:

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, which would appropriate money to match federal funds for Medicaid. These are challenging times financially for the state and for the people of Hawaii. As programs and services get cut, AARP is concerned about the health and welfare of people of all ages, especially those who are most in need of these services and those who are most vulnerable—those who have no where else to go to get these services.

Given the severity of the current situation, policy makers must make sure that every public dollar is used wisely. Providing state matching funds for the disproportionate share hospital payment program, which helps to make Medicaid available to some of Hawaii's most vulnerable populations, is one way to maximize the use of limited state resources. By appropriating a little more than \$10 million state dollars, more than \$12 million federal dollars will be made available by the federal government. If the federal matching fund rate is increased in the stimulus legislation being considered in Washington, DC, the availability of federal dollars may be even larger. The state of Hawaii cannot afford to pass up these critical federal resources.

It is evident that the state is facing grave challenges and difficult decisions in the months ahead. Unfortunately, state revenues are decreasing just as more residents need the programs and services being decimated by budget cuts. Using federal matching funds, when possible, will help us stretch State resources and should be a top priority of state policy makers.

AARP Hawaii strongly supports these efforts to maximize federal spending. Doing so will help maintain hospitals' critical services for those with limited incomes and lack of access to basic health care.

Thank you for the opportunity to testify.



SENATE COMMITTEE ON HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair

SENATE COMMITTEE ON HEALTH
Senator David Y. Ige, Chair

Conference Room 016
February 10, 2009 at 1:15 pm

Testimony in support of SB 423.

I am Rich Meiers of the Healthcare Association of Hawaii which represents 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 testify in strong support of SB 423, which appropriates State funds that are needed to match federal funds. These funds are available to help sustain hospitals providing 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. However, it should be noted 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's economy during these harsh economic times. SB 423.

LINDA LINGLE
GOVERNOR



LILLIAN B. KOLLER
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HENRY OLIVA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 10, 2009

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

Honorable David Y. Ige, Chair
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 423 – RELATING TO HEALTH**

Hearing: Tuesday, February 10, 2009 1:15 p.m.
Conference Room 016, 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: The Department of Human Services (DHS) appreciates the intent of this bill, but respectfully opposes this measure as its appropriation of substantial additional general funds will impact or replace the priorities in the Executive Biennium Budget.

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 has been appropriated.

These funds are accessed as a Federal match to a State share that can be either 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.

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).

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 the current FMAP rate of 55.11%. If the FMAP increases as is expected in the Federal stimulus package, the State share needed would decrease. As the State share decreases, the total amount paid to the hospitals decreases.

Further, there may be enough existing expenditure by HHSC of State funds to certify and draw down the \$10 million annual DSH available for July, 2008 through June 30, 2009 such that DHS could distribute all of the \$10 million DSH Federal funds to hospitals without appropriating any new general funds.

Also, please note that DHS has already been distributing the "DSH-like" Federal funds of \$7.5 million per year to hospitals since 2005 as supplemental payments under the Department's 1115 waiver, based on the same DSH formula developed by HAH, to offset hospital uncompensated care and other hospital shortfalls.

Hospitals are an invaluable part of our State's safety-net. However, in as much as these options will require additional State appropriations, DHS respectfully opposes this measure as it will surely adversely impact or replace the priorities in the Executive Biennium Budget.

Thank you for this opportunity to testify.