

**SB 423**

LINDA LINGLE  
GOVERNOR



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

February 27, 2009

**MEMORANDUM**

**TO:** Honorable Donna Mercado Kim, Chair  
Senate Committee on Ways and Means

**FROM:** Lillian B. Koller, Director

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

Hearing: Friday, February 27, 2009 9:00 A.M.  
Conference Room 211, 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 State's 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 and recently extended for two additional years at the same funding

level. 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.

Therefore, to obtain the \$10 million of DSH available for July 1, 2008 through June 30, 2009, a State share of \$8,145,527 will be needed. Given the State's current fiscal difficulties, it would not be prudent to pursue enactment of this bill at this time

Also, please note that DHS has been distributing additional "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.

Thank you for this opportunity to provide comments on this bill.

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