

SCR 29



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LAWRENCE M. REIFURTH  
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TO THE SENATE COMMITTEES ON  
HUMAN SERVICES AND HEALTH

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2009

Tuesday, March 17, 2009  
1:30 p.m.

**TESTIMONY ON SENATE CONCURRENT RESOLUTION NO. 29 – REQUESTING  
CONGRESS TO RAISE MEDICARE FEE SCHEDULE PAYMENT AMOUNTS FOR  
PHYSICIANS RENDERING SERVICES IN HAWAII.**

TO THE HONORABLE SUZANNE CHUN OAKLAND AND DAVID Y. IGE, 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 resolution.

We support fair and adequate reimbursement for Hawaii physicians. Inadequate  
reimbursements make it harder for physicians to remain in practice, jeopardizing access  
to health care. In addition, to the extent that private payers have to make up for  
inadequate governmental reimbursements an unfair situation is created.

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



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

March 17, 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: **SCR 29 - REQUESTING CONGRESS TO RAISE MEDICARE FEE  
SCHEUDLE PAYMENT AMOUNT FOR PHYSICIANS RENDERING  
SERVICES IN HAWAII**

Hearing: Tuesday, March 17, 2009, 1:30 p.m.  
Conference Room 016, State Capitol

PURPOSE: The purpose of this resolution is to request Congress 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 22<sup>nd</sup> for work GPCI, 12<sup>th</sup> for practice expense GPCI, and 50<sup>th</sup> for malpractice expense, out of the 89 total GPCIs 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 GPCIs 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.



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**Tuesday, March 17, 2009, 1:30 PM, CR 016**

To: COMMITTEE ON HUMAN SERVICES  
Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara, Jr., Vice Chair

COMMITTEE ON HEALTH  
Senator David Y. Ige, Chair  
Senator Josh Green, M.D., Vice Chair

By: Hawaii Medical Association  
Gary A. Okamoto, MD, President  
Philip Hellreich, MD, Legislative Co-Chair  
Linda Rasmussen, MD, Legislative Co-Chair  
April Donahue, Executive Director  
Richard C. Botti, Government Affairs  
Lauren Zirbel, Government Affairs

Re: SCR 29 Medicare Reimbursements

Chairs & Committee Members:

Hawaii Medical Association strongly supports this resolution. Medicare and Medicaid reimbursements to Hawaii physicians are not sufficient to cover the ever-increasing costs of providing care. Raising the fee schedule is one of the steps that may help alleviate the access to care problems for the Medicare and Medicaid patient population.

Thank you for the opportunity to provide this testimony.

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# Hawaii Pacific Health

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

Tuesday, March 17, 2009  
Conference Room 016  
1:30 pm

## The Senate Committee on Human Services

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

## The Senate Committee on Health

To: Senator David Y. Ige, Chair  
Senator Joshua Green, M.D., Vice Chair

From: Virginia Pressler, MD, MBA  
Executive Vice President

**Re: Testimony in Strong Support of SCR 29  
Requesting Congress to raise the Medicare Fee Schedule Payment Amounts for Physicians  
Rendering Services in Hawaii**

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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.

The real problem facing all Hawaii Hospitals is inadequate reimbursement by Medicaid and Medicare for medical services. According to accounting firm Ernst & Young LLP Hawaii hospitals spent \$228 million more to care for Medicare, Medicaid and QUEST patients in the past year than they received in payments. Inadequate reimbursement is particularly devastating for private hospitals on Oahu which serves as the safety-net hospitals for the entire islands. On average, Hawaii hospitals lose 25 cents on every \$1.00 spent to provide care for a Medicaid/Quest patient and 21 cents on every Medicaid 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 increase the amounts appropriated in the

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KAPI'OLANI  
MEDICAL CENTER  
AT PALI MOMI



KAPI'OLANI  
MEDICAL CENTER  
FOR WOMEN & CHILDREN



**Straub**  
CLINIC & HOSPITAL

 **Wilcox Health**

State Budget to improve reimbursements to individual health care providers to cover the costs of providing services and increase the Medicaid Fee Schedule.

In 2005, Hawaii ranked 49th (out of 50) in Medicaid expenditures as a percent of total state expenditures higher only than the State of Wyoming according to the National Association of State Budget Officers, 2005 State Expenditure Report. For many services, the rates set for certain medical procedures have not been readjusted for nearly a decade. Additional funding and legislation to address this issue would allow timely adjustment of these rates and would go a long way towards stemming the current crisis.

Thank you for your time regarding this measure. We ask that you pass SCR 29.



**Testimony of Robert Toyofuku**  
**On behalf of Hawaii Association for Justice**  
**(Formerly Known as Consumer Lawyers)**  
**In SUPPORT Of**  
**S.C.R. No. 29**

My name is Robert Toyofuku. I am testifying on behalf of the Hawaii Association for Justice (formerly known as CLH\*) in Support of S.C.R. No. 29.

Adequate compensation is essential to recruit and retain health care professionals in Hawaii. The Medicare Physician Fee Schedule is an important factor in physician compensation for both government and private health care programs that base their payments, directly or indirectly, on the Medicare fee schedule.

Medicare and Medicaid base their reimbursements upon the Medicare fee schedule. Private health plans (except Kaiser) typically pay a multiple of the Medicare fee schedule (e.g., 140% of the Medicare fee schedule). Government programs cover about a third and private plans (other than Kaiser) about a half of Hawaii's population making the impact of the Medicare fee schedule a substantial factor for physician reimbursements.

This concurrent resolution focuses on the physician work component cost index for Hawaii. Medicare describes the "physician work" component as "the financial value of physician's time, skill, and effort that are associated with providing the service." Two factors should be considered when focusing on the physician work component.

First, that component does not have anything to do with the cost of the work performed by physicians in Hawaii - - contrary to the implication of its name and description. That component is based on the relative hourly wages of other occupations in Hawaii, such as architects, engineers, lawyers, teachers, social workers, nurses, librarians, pharmacists, writers, artists and editors, in comparison to the wages earned by those occupations in other parts of the nation. Physician income is not used because 1) many doctors rely heavily on Medicare fee schedule based reimbursements so calculating future Medicare fee adjustments based on past Medicare fee payments results in a circular analysis that skews the calculation; and 2) using physician income would result in much higher reimbursement levels for doctors in metropolitan areas and much lower reimbursements for doctors in rural and underserved areas.

The generally lower pay in Hawaii for those occupations actually used to calculate the physician work component results in Hawaii having the lowest index level utilized for 2009.

Second, the data used by CMS (Center for Medicare and Medicaid Services) to calculate the hourly wage differential for the various occupations utilized is drawn from the decennial census. Consequently, the data to update the "physician work" component



is collected only once every 10 years. The next census will be in 2010 with data reporting in 2011 or 2012. CMS may not have the data needed to update the “physician work” component until then.

Congress has intervened in the setting of minimum physician work GPCI (geographic practice cost index) in the past. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), for example set a nationwide floor of 1.000 with a minimum floor of 1.500 for Alaska. A similar floor for Hawaii would help address the inequity of the current Medicare fee schedule for Hawaii.

Thank you for this opportunity to testify in Support of S.C.R. No. 29.

\* CLH has changed its name to conform to the name of its national organization the American Association for Justice.