



GOV. MSG. NO. 695

EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

July 7, 2010

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: House Bill No. 2084 HD1 SD1 CD1

On July 6, 2010, House Bill No. 2084, entitled "A Bill for an Act Relating to the Federal Disproportionate Share Hospital Funds" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is to extend the lapse date to June 30, 2011 for a \$12,291,054 appropriation out of the general fund authorized by Act 23, Special Session Laws of Hawaii 2009. The appropriation would serve as a State match required to access \$15 million in federal funding available through the federal Disproportionate Share Hospital payment program.

Although the purpose of this bill holds merit, the State general funds continue to show revenue levels considerably below operating costs. As a result the State has had to postpone making payments, cut funding to selected programs, and reduce staffing. The state's six year financial plan reflects the assumption that money lapses. Since the appropriation in Act 23 was valid until June 30, 2010 but this bill did not take effect until July 6, 2010, after the lapse date, the provisions of this bill are effectively moot.

I am proud my Administration has found innovative approaches to drawing down additional federal Medicaid money through a special waiver program arranged by the State Department of Human Services. Hospitals in Hawaii have received a total of \$84 million in additional federal money since 2005, including \$14.4 million in fiscal year 2010 to help cover charitable and uncompensated care. Using federal rather than State funds to help our hospitals is the most prudent approach during these lean budget times.

The Honorable Colleen Hanabusa, President
and Members of the Senate
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For the foregoing reasons, I allowed House Bill No. 2084 to become law as Act 203, effective July 6, 2010, without my signature.

Sincerely,



LINDA LINGLE

ACT 203

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2010
STATE OF HAWAII

H.B. NO. 2084
H.D. 1
S.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO THE FEDERAL DISPROPORTIONATE SHARE HOSPITAL FUNDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature has historically recognized the
2 importance of making Medicaid coverage available for the State's
3 most vulnerable populations and has acted to ensure that health
4 care payments made with state funds or controlled by the State
5 are sufficient to cover the actual costs of the care provided.
6 Through the continued efforts of Hawaii's congressional
7 delegation, a federal Medicaid disproportionate share hospital
8 appropriation of \$15,000,000 has been secured for Hawaii. These
9 funds cannot be expended without a matching state appropriation.
10 Together, the combined state and federal funding will help to
11 provide continuing health care in our communities.

12 In 2009, the legislature overrode the governor's veto of a
13 bill that appropriated the state matching funds. That bill
14 became Act 23, Special Session Laws of Hawaii 2009. To date,
15 the governor has not released the state funds while the federal
16 funds remain available to Hawaii.

17 The legislature finds that the \$15,000,000 in federal funds
18 consists of \$2,500,000 appropriated for the fourth quarter of



1 federal fiscal year 2008, \$10,000,000 for federal fiscal year
2 2009, and \$2,500,000 for the first quarter of federal fiscal
3 year 2010.

4 The amount of the state match is dependent upon the federal
5 medical assistance percentage in the year the funds are spent.
6 For 2010, the percentage is 54.24 per cent, with the State
7 obligated to provide the remaining 45.76 per cent of the total
8 funding, which is \$12,654,867.

9 The purpose of this Act is to extend until June 30, 2011,
10 the lapsing of the appropriation authorized by Act 23, Special
11 Session Laws of Hawaii 2009, so that previously allocated but
12 unused funds will act as matching funds to secure critical
13 federal funding.

14 SECTION 2. Act 23, Special Session Laws of Hawaii 2009, is
15 amended by amending section 2 to read as follows:

16 "SECTION 2. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$12,291,054 or so
18 much thereof as may be necessary for fiscal year 2009-2010 to
19 match the federal disproportionate share hospital allowance
20 allocated to the State; provided that some appropriated funds
21 may be used to obtain matching federal disproportionate share
22 hospital allowance for prior fiscal year expenditures by the



