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January 26, 2010

MEMORANDUM

TO: Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2084 – RELATING TO THE FEDERAL DISPROPORTIONATE SHARE
HOSPITAL FUNDS**

Hearing: Tuesday, January 26, 2010, 9:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to appropriate funds for the State's portion of the Federal disproportionate share hospital allowance (DSH).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) must respectfully oppose this bill. Given the State's current fiscal difficulties, it would not be prudent to pursue enactment of a new general fund appropriation to match the federal disproportionate share hospital (DSH) allowance to hospitals.

DSH funds are accessed as a Federal match to a State share that can be a new State general fund appropriation or certain general fund expenditures, 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.

Due to the efforts of Hawaii's Congressional Delegation and others, a Federal Medicaid DSH allowance of \$2.5 million per quarter through December 31, 2011 has been authorized for Hawaii. DSH payments, using the distribution formula developed by the Healthcare Association

of Hawaii (HAH), have been made through June 30, 2008. With agreement from HAH, DHS is submitting a Medicaid State Plan amendment to the Federal Centers for Medicare & Medicaid Services (CMS) using excess HHSC certified expenditures to match the federal DSH allowance for the period July 1, 2008 through June 30, 2009. Federal DSH allowance is still available for the period July 1, 2009 through December 31, 2011.

Finally, please note that DHS has also been distributing "DSH-like" federal funds of \$7.5 million per year to hospitals statewide since 2005 pursuant to a creative Medicaid 1115 waiver that DHS obtained from CMS. DHS distributes these funds based on the same DSH formula developed by the HAH. The next distribution of these funds is scheduled to occur in February 2010.

Thank you for this opportunity to testify.



HOUSE COMMITTEE ON HEALTH
Rep. Ryan Yamane, Chair

Conference Room 329
Jan. 26, 2010 at 9:00 a.m.

Supporting HB 2084.

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of HB 2084, which appropriates State funds to match federal Disproportionate Share Hospital (DSH) funds.

The federal government makes DSH funds available to hospitals that serve disproportionately high numbers of low-income patients. DSH partially pays for care that is not covered by insurance such as Medicare, Medicaid, or private insurance. In 2008 Hawaii's hospitals experienced losses totaling \$141 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care. DSH funds are distributed to states, which in turn distribute the funds to the individual hospitals.

Although Hawaii's hospitals incur uncompensated care, Hawaii does not receive DSH funding on a regular basis. Hawaii and Tennessee are currently the only two states without permanent DSH funding. Hawaii lost DSH with the creation of its Quest program under Medicaid. However, in recent years our Congressional Delegation has been able to secure appropriations for DSH and DSH-like payments to Hawaii's hospitals on a year-to-year basis. These federal funds are required to be matched by State funds using the Federal Medical Assistance Percentage (FMAP).

In 2009, SB 423 appropriated \$12 million in State funds to draw down \$15 million in federal DSH funds for a total of \$27 million to be distributed to private hospitals. The bill was passed by the Legislature and subsequently vetoed by the Governor. The Legislature overrode the Governor's veto, but the Governor has indicated that she does not intend to release the money from the State general fund or the Rainy Day Fund. The bill under consideration today, SB 2084, again seeks that State match in the hopes that State funds will become available in the coming year.

Meanwhile, the Administration is making an effort to match a portion of available federal DSH funds with certified losses by the Hawaii Health Systems Corporation, which receives general funds appropriated by the State. While the Administration should be credited for this effort, it would result in far less than \$27 million distributed to private hospitals because only the federal DSH funds that are matched would be distributed to them. Furthermore, the certified losses would match some, but not all, of the federal DSH funds that are available. If the Administration's efforts are successful, the bill should later be amended to reduce the amount of the State appropriation so that it matches the remaining federal DSH funds.

For the foregoing reasons, the Healthcare Association supports HB 2084.

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Affiliated with the American Hospital Association, the American Health Care Association,
the National Association for Home Care and the National Hospice & Palliative Care Organization



To: House Committee on Health
Rep. Ryan I. Yamane, Chair
Rep. Scott Y. Nishimoto, Vice Chair

Date: Jan. 25, 2010 - Conference Room 329 – 9:00 a.m.

Re: HB 2084 RELATING TO THE FEDERAL DISPROPORTIONATE SHARE HOSPITAL (DSH) FUNDS

Chair Yamane 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 150,000 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 supports HB 2084. Its purpose is to appropriate state matching funds to secure critical federal DSH funding for fiscal year 2010-2011 and for some prior fiscal year expenditures by 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 enabled the State to increase the total amount of funding for Hawaii's hospitals to serve persons who are indigent. The 2009 Hawaii's State Legislature demonstrated its commitment by providing state matching DSH funds through Act 23; however, these funds have not been released by the Governor. Funding is more critical than ever in light of the State's economy. The monies will provide needed relief to safety net hospitals who are struggling to meet the demands placed upon them by the increased number of uninsured.

We understand that the Legislature faces many pleas for assistance in this dire time due to funding shortages. In your deliberations, please consider the state matching DSH funds among your priorities.

Thank you for the opportunity to provide comment on this bill.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

January 26, 2010

The Honorable Ryan Yamane, Chair
The Honorable Scott Nishimoto, Vice Chair
House Committee on Health

Re: HB 2084 – Relating to the Federal Disproportionate Share Hospital Funds

Dear Chair Yamane, Vice Chair Nishimoto and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in support of HB 2084.

HB 2084 provides an appropriation that would enable Hawaii to receive Disproportionate Share Hospital (DSH) funding from the Federal Government. 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. However, since 1993, as part of the agreement for the establishment of Med-QUEST, Hawaii has not qualified for DSH dollars. This year, as in last, legislation to provide the state's share would allow hospitals to receive needed funding.

Thank you for the opportunity to testify in support of HB 2084.

Sincerely,

Jennifer Diesman
Assistant Vice President
Government Relations