

**HB 2084,
HD1, SD1
Testimony**

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March 31, 2010

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2084, H.D. 1, S.D. 1 – RELATING TO THE FEDERAL
DISPROPORTIONATE SHARE HOSPITAL FUNDS**

Hearing: Wednesday, March 31, 2010, 9:30 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 (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.



**Testimony to the Senate Committee on Ways and Means
Wednesday, March 31, 2010 at 9:30 a.m.
Conference Room 211, State Capitol**

**RE: HOUSE BILL NO. 2084 HD1 SD1 RELATING TO THE FEDERAL
DISPROPORTIONATE SHARE HOSPITAL FUNDS**

Chair Mercado Kim, Vice Chair Tsutsui, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports House Bill 2084, HD1 SD1 relating to the Federal Disproportionate Share Hospital Funds.

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.

The Chamber commends the Legislature for playing an active role in passing legislation that appropriates money to match federal funds in the past few 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 HB 2084 HD1 SD1. Thank you for the opportunity to testify.



SENATE COMMITTEE ON WAYS AND MEANS
Senator Donna Mercado Kim, Chair

Conference Room 211
March 31, 2010 at 9:30 a.m.

Supporting HB 2084 HD 1 SD 1.

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 HD 1 SD 1, 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 2009 Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and did not have the financial resources 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 losses due to 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 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, HB 2084 HD 1 SD 1, 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 HD 1 SD 1.

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
Senate Committee on Ways and Means
The Honorable Donna Mercado Kim, Chair
The Honorable Shan S. Tsutsui, Vice Chair

March 31, 2010
9:30 am
Conference Room 211
Decision Making

**HB 2084, HD1 SD1 RELATING TO THE FEDERAL DISPROPORTIONATE
SHARE HOSPITAL FUNDS (DSH Match)**

Chair Kim and committee members, thank you for this opportunity to provide written testimony on HB2084, HD1 SD1 that would appropriate state funds to match federal funding for the disproportionate share hospital allowance.

Kaiser Permanente Hawaii supports this bill.

We note for the committee that this draft continues to have an incorrect effective date.

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 \$15,000,000 for Hawaii: \$2,500,000 for the fourth quarter of federal fiscal year 2008, \$10,000,000 for federal fiscal year 2009, and \$2,500,000 for the first quarter of federal fiscal year 2010.

The State appropriation of matching funds, 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.



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Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair
COMMITTEE ON WAYS AND MEANS

March 31, 2010 – 9:30 a.m.
State Capitol, Conference Room 211

In Strong Support of HB 2084, HD1, SD1 Relating to the Federal Disproportionate Share Hospital Funds

Chair Kim, Vice Chair Tsutsui and Members of the Committee,

My name is Rick Keene, Executive VP and Chief Financial Officer for The Queen's Health Systems. I am testifying for The Queen's Medical Center in strong support of HB 2084, HD1, SD1 which appropriates State funds to match federal funding of \$15,000,000 for the Disproportionate Share Hospital (DSH) allowance for Medicaid/Quest patients.

Medicaid/Quest is the cornerstone of health care for our most needy population. Hawaii's hospitals in particular have been detrimentally affected by the inadequacy of Medicaid/Quest reimbursements and payments, and have annually lost tens of millions of dollars because government reimbursement is far below the cost of providing medical care. In fiscal year 2008, The Queen's Medical Center treated 4,694 inpatients and 29,785 outpatients who were covered by Medicaid/Quest. The October 2008 report "Issues Impacting Hawaii's Hospitals, Nursing Facilities, Home Care and Hospice Providers" by the Healthcare Association of Hawaii, found that in 2007, losses for Medicaid, Quest and uninsured patients in Hawaii were approximately \$48,100,000.

The proposed State funding of \$12,654,867, combined with the federal appropriation will supplement the reimbursement shortfall for Medicaid/Quest patients. Without state matching funds, the federal funding will be lost. Your support and approval of HB 2084, HD1, SD1 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.