

**HB 2774**

LINDA LINGLE  
GOVERNOR



LILLIAN B. KOLLER, ESQ.  
DIRECTOR

HENRY OLIVA  
DEPUTY DIRECTOR

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

March 8, 2010

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: **H.B. 2774, H.D.2 – RELATING TO HUMAN SERVICES**

Hearing: Monday, March 8, 2010, 3:20 P.M.  
Conference Room 016, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Human Services to include certain provisions in each contract with managed care organizations for the provision of Medicaid benefits under QUEST.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) opposes this bill as it would not be permitted by federal law.

DHS recognizes the importance of cost-sharing in helping to decrease inappropriate utilization of medical services and we have been interested in implementing co-payments. DHS already has the statutory authority to do this, but the federal government has strict regulations regarding the amount of

co-payments that an individual can pay, who can pay them, and for what services they can apply. The provisions of this bill are inconsistent with federal requirements.

Implementing co-payments will require an 1115 waiver amendment which can take years to get approved by the federal Centers for Medicare and Medicaid Services. Co-payments cannot be implemented in our Medicaid programs without such federal approval. DHS continues to seek such approval.

However, the State-only funded co-payments for prescription drugs now paid through the State Prescription Assistance Program (SPAP) could be stopped immediately and without federal approval. This is a state-only funded program that pays the <\$5 Medicare prescription drug (Part D) co-payments for certain recipients of both Medicare and Medicaid. This program costs approximately \$1.5 million in general funds annually and has never been appropriately funded, thus exacerbating the short-fall in our Medicaid budget.

This bill requires that DHS ensure that all QUEST contracted managed health plans to have formularies. DHS already does this.

This bill requires that DHS follows the statutory definition of medical necessity, which it already does.

This bill requires reporting mechanisms. While DHS can report on the number of recipients enrolled in its health insurance programs, it is unable to report any information about private sector health plans as that falls outside its authority.

There are, however, two actions that the Legislature can do which would immediately help to reign in Med-QUEST expenditures. The Legislature failed to advance important bills that would generate savings with minimal impact on Medicaid recipients.

Our Administration-sponsored bills, SB2718/HB2565, Relating to Death Benefits, sought to decrease State-only funded funeral benefits to align with the Social Security Administration's lump sum death benefit. Any savings not realized from this change will need to be gained by decreasing benefits to living Medicaid recipients by nearly three-fold due to the federal match.

The Legislature also failed to advance SB2719/HB2566, Relating to Psychotropic Medication. Psychotropic medications comprise the largest prescription drug expenditure, and prescription drugs are the fastest growing healthcare expense. This bill would have begun to bend that cost curve by requiring trial of a generic medication for any new psychotropic medication prescription. The out-year savings from this bill would quickly compound to save multiple millions of dollars. While we could save even more if all current brand name psychotropic medications were switched to generics, this would be disruptive to a vulnerable population, something to which DHS is sensitive and, therefore, our bill was designed to apply only to new prescriptions.

The broad title of this bill, HB 2774, H.D.1, Relating to Human Services could allow the language of these bills to still be added.

Thank you for this opportunity to testify.



## Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347  
www.hawaiipca.net

### **Senate Committee on Human Services**

The Hon. Suzanne Chun Oakland, Chair

The Hon. Les Ihara, Jr., Vice Chair

### **Senate Committee on Health**

The Hon. David Y. Ige, Chair

The Hon. Josh Green, MD, Vice Chair

## **Testimony in Opposition to House Bill 2774, HD 2**

### **RELATING TO HUMAN SERVICES**

**Submitted by Beth Giesting, Chief Executive Officer**

**March 8, 2010 3:20 p.m. Agenda, Room 016**

The Hawai'i Primary Care Association strongly opposes this measure. While the co-pays proposed may seem nominal to us, they are likely to be a deterrent to timely care for MedQUEST patients. Moreover, it is likely that that providers would be responsible for collecting the co-pay, which, as a practical matter, will be hard to do and so will reduce reimbursement for services. For private providers the extra work and reduction in fees will likely further erode participation in the MedQUEST program.

Implementing this bill is also likely to be unfeasible because the State could not do so without requesting and being granted an amendment to the 1115 waiver that currently governs the MedQUEST program.

Thank you for this opportunity to testify in opposition to this bill.