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

April 3, 2009

MEMORANDUM

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 1140, S.D. 2, H.D. 2 – RELATING TO HEALTH CARE**
Hearing: Friday, April 3, 2009 4:30 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to require all health plans in the State, including government payors, to pay to critical access hospitals (CAHs) no less than ___% of costs for all services provided to plan beneficiaries, and to pay to federally qualified health centers (FQHCs) no less than their respective prospective payment system rates.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill for the following reasons. This bill previously exempted government payors from the provisions of this bill but the H.D. 2 of this bill eliminated the government payor exemption which means that government payors such as our Medicaid programs are now included in this bill.

With respect to our Medicaid programs, the language regarding reimbursement to the FQHCs and CAHs is not necessary because reimbursement to FQHCs and CAHs by the Medicaid program is already mandated in the Federal Social Security Act. The State may terminate the reimbursement methodologies, set forth in this bill for the FQHCs and CAHs in

our Medicaid programs, only in the event that changes in the relevant sections of the Social Security Act prohibit these reimbursement methodologies.

There is no need to codify in State statute something that is already imposed by Federal law. DHS already pays FQHCs and CAHs in accordance with the Social Security Act and will not reimburse them in a way that is not in compliance with Federal law. In discussing this issue with the Federal Centers for Medicare & Medicaid Services (CMS), they have made it clear that it is not possible to grant any waiver of the Prospective Payment System (PPS) reimbursement for FQHCs nor the cost reimbursement methodology for CAHs, so there is no need to put this Federal requirement into State law.

DHS is already providing reimbursements to the extent allowable by Federal law. To enact a State law that is merely re-stating what is already required by Federal law does not provide any additional protections to FQHCs and CAHs.

If it is the Legislature's position to go forward with this bill to include government payors, the following language must be inserted into all sections of this bill, otherwise there will be no Federal match and the reimbursements must be all State-funded.

"The State may terminate the reimbursement methodologies for the federally qualified health centers and the critical access hospitals in the State's medicaid programs, set forth in this section only in the event that changes in the relevant sections of the Social Security Act prohibit these reimbursement methodologies."

Act 297, SLH 2006, codified as Hawaii Revised Statutes, section 346-53.6, already protects the prospective payment system reimbursement for FQHCs in our Medicaid programs and the Legislature included this language we are now recommending to be included in S.B. 1140, to ensure that we can continue to access Federal Medicaid matching funds to make these reimbursements.

Thank you for the opportunity to comment on this bill.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

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LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

FRIDAY, APRIL 3, 2009
4:30 p.m.

TESTIMONY ON SENATE BILL NO. 1140, S.D. 2, H.D. 2 – RELATING TO HEALTH CARE.

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, AND MEMBERS OF THE COMMITTEE:

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 the intent of this bill, which is to provide adequate funding to key hospitals. However, we must reserve final judgment until the reimbursement percentage is filled in.

Hospitals in Hawaii have been losing money over the past several years, particularly in rural areas. We have had numerous complaints that the reimbursements to doctors and hospitals do not recover their costs. Kahuku Hospital almost closed and the State Hospital has had to request emergency appropriations. This is a perilous situation for the public, particularly as regards critical access hospitals and federally qualified health centers which provide necessary care to the community.

Requiring commercial health plans to provide a minimum reimbursement level is one step to help ensure that these facilities can keep operating and provide services. This bill is limited to critical access facilities which are particularly important to our communities.

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

HAWAII HEALTH SYSTEMS
CORPORATION

"Touching Lives Everyday"

House Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Friday, April 3, 2009
4:30 p.m.
Conference Room 308
Hawaii State Capitol

Testimony on SB 1140, SD2, HD2 Relating to Health Care
Requires commercial health plans licensed to do business in the State to pay no less than unspecified percent of costs for all services provided to plan beneficiaries by critical access hospitals and to pay federally qualified health centers no less than their respective prospective payment system rates.

Thomas M. Driskill, Jr.
President & Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporation Board of Directors, thank you for the opportunity to present testimony in strong support of the intent of SB 1140, SD2, HD2.

The purpose of this bill is to require health plans, other than government payers, licensed to do business in this state, to reimburse critical access hospitals and federally qualified health centers at rates consistent with Medicare and Medicaid reimbursement rates. The bill would require insurers including government payers to reimburse critical access hospitals as defined in section 346D-1 at a rate not less than Medicare reimbursement rate, for all services rendered to health plan beneficiaries and to pay federally qualified health centers as defined in section 1905 (1) of the Social Security Act (42 USC 1396d) no less than their respective payment system rates determined pursuant to sections 346-53.6 to 346-53.64.

Currently, government is subsidizing the costs for healthcare services provided to beneficiaries of health plans, other than government payers, by critical access hospitals (CAHs) and federally qualified health centers (FQHCs), because health plans in Hawaii, including government payers, are not paying for the full costs of care provided to plan beneficiaries.

It is estimated that the enactment of this legislation could provide for approximately $5 million annually in increased reimbursements to critical access hospitals and an aggregate $47,475,544 in increased reimbursements over eight years to critical access hospitals, assuming same service levels and 5% inflation per year. It is estimated that the enactment of this legislation could provide for approximately $7.3 million in increased reimbursements to federally qualified health centers, and an aggregate $67,708,495 in increased reimbursements over eight years o federally qualified health centers, assuming same service levels and 5% inflation per year.

All hospitals are adversely affected by declining reimbursement trends, but CAHs, are especially disadvantaged, due to the low volume of patients and high expense of providing care in remote areas and low payments from commercial health plans. Recognizing the financial challenges faced by rural hospitals, the federal government passed 42 United States Code 1395i-4, which established the Medicare rural hospital flexibility program, a national program designed to assist states and rural communities in improving access to essential health care services through the establishment of limited service hospitals and rural health networks. The program creates the critical access hospital as a limited service hospital eligible for Medicare certification and reimbursement, and supports the development of rural health networks consisting of critical access hospitals, acute general hospitals, and other health providers.

Congress also established federally qualified health centers as a category of provider that specializes in comprehensive primary health care for underserved communities. Among mandated provisions for federally qualified health centers are cost-related reimbursement for Medicaid and Medicare services.

The U.S. Department of Health and Human Services Medicare and Medicaid Services pays Critical Access Hospitals on the basis of one hundred and one per cent of costs for acute care inpatient and outpatient services. The State of Hawaii department of human services calculates payments to critical access hospitals on a cost basis for acute inpatient and long term care services to beneficiaries of the Medicaid program.

The state's ability to provide safety net services will significantly degrade, if commercial health plans continue to refuse to pay amounts that cover the costs for providing care, unless the state continues to provide special subsidies to CAHs and FQHCs to cover operating losses of CAHs and FQHCs from providing services to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans including government payers. Financial and social burdens will fall increasingly on agencies of the state and county governments because of the health and economic impact of declining and degrading healthcare services if government would not continue to subsidize costs of healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans including government payers.

S.B. No. 1140 S.D.2 H.D.2 changed the one hundred and one percent reimbursement rate paid to critical access hospitals to an unspecified percentage for the purpose of facilitating further discussion. HHSC is recommending in lieu of an unspecified percentage of costs, change the language to state at rate not less than Medicare reimbursement rate for all services rendered to health plan beneficiaries. Our concern is that if a reimbursement % other than 101% of cost is passed, it would be administratively burdensome for all parties to determine what that minimum rate would be. CAH's submit annual Medicare cost reports to the Center for Medicare and Medicaid services (CMS) and CMS determines interim reimbursement rate equivalent to 101% of costs. To select an unspecified reimbursement rate different from Medicare would be administratively burdensome for CAH, insurance commissioner to monitor and for the health plan to be in compliance. With the change in language to no less than Medicare, we can use readily available CMS interim rate updated annually by CMS to determinate if health plan rates are equal to or greater than Medicare rates.

LĀNA'I WOMEN'S CENTER DBA LĀNA'I COMMUNITY HEALTH CENTER

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To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care

Submitted by Diana V. Shaw, PhD, MPH, MBA, Executive Director
April 3, 2009, 4:30 p.m. agenda, Room 308

The Lanai Women's Center dba Lanai Community Health Center asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

E Ola nō Lāna'i
LIFE, HEALTH, and WELL-BEING FOR LĀNA'I

Waimānalo Health Center
Ola Hāloa
The Sustaining of Life

To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care
Submitted by May Akamine, Executive Director
April 3, 2009, 4:30 p.m. agenda, Room 308

The Waimanalo Health Center asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

41-1347 Kalaniana'ole Highway • Waimānalo, Hawai'i 96795-1247• (808) 259-7948 • Fax (808) 259-6449 • www.waimanalohc.org

To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care
Submitted by Tanya Aynessazian, Board Chairperson of Bay Clinic, Inc.
April 3, 2009, 4:30 p.m. agenda, Room 308

Bay Clinic Board of Directors and staff ask for your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves taxpayers an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

A IISTRATION:
9[illegible] AUSTIN LANE
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KALIHI-PALAMA HEALTH CENTER
Hale Ho'ola Hou – House of New Life

To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

From: Darrin Sato, Chief Operating Officer

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care
April 3, 2009, 4:30 p.m. agenda, Room 308

Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs, such as Kalihi-Palama Health Center are comprehensive primary care providers, which serve underserved areas and p[illegible]itions. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
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To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care
Submitted by Beth Giesting, CEO
April 3, 2009, 4:30 p.m. agenda, Room 308

The Hawaii Primary Care Association asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

Speaking for FQHCs, these enhanced rates are provided both so that they won't have to use federal grants to subsidize the cost of public insurance programs but also in recognition of the additional services that are needed by and provided to FQHC patients. These include offering care with linguistic and cultural competence; ensuring that transportation is available; and providing extensive care management that includes outreach, follow-up, referral arrangements, and application assistance. FQHCs also provide medical, behavioral health, and dental care all on the same site, which increases the likelihood that patients will get all the primary care they need in a timely and appropriate way. The integration of behavioral health with medical care is particularly clinically and financially effective. Some FQHCs serve geographically isolated places where it isn't economically feasible for other care providers to practice and this may result in higher unit costs as well.

IN 2007, 24% of FQHC patients – 25,000 individuals – had private insurance. Neighbor Island FQHCs tend to have higher percentages of privately insured patients because they are more frequently the only providers in the communities they care for. We estimate that FQHCs earn about $7 million less per year from private insurers than it costs to deliver care to their patients. At the same time the FQHCs saved more than $46 million[1] for the plans because of the care they delivered to privately insured patients. These savings are due to the FQHC model of care that provides comprehensive and timely primary clinical and management services which greatly reduce duplicative diagnostic testing, specialty referrals, ER use, and hospitalization.

We believe this measure deserves your thoughtful consideration and appreciate the opportunity to provide this testimony.

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[1] A study prepared by the Robert Graham Center using Medical Expenditure Panel Survey data for 2007 shows that FQHCs save an average of $1,914 per privately insured patient per year when compared to the private practice system. $1,914 x 24,364 privately insured patients served by FQHCs in 2007 = $46.6 million.

Hawaii Association of Health Plans
www.hahp.org

April 3, 2009

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair
House Committee on Finance

Re: SB 1140 SD2 HD2 – Relating to Health Care

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Rick Jackson and I am President of the Hawaii Association of Health Plans ("HAHP"). HAHP is a non-profit organization consisting of seven (7) member organizations:

AlohaCare
Hawaii Medical Assurance Association
HMSA
Hawaii-Western Management Group, Inc.
MDX Hawai'i
University Health Alliance
UnitedHealthcare

Our mission is to promote initiatives aimed at improving the overall health of Hawaii. We are also active participants in the legislative process. Before providing any testimony at a Legislative hearing, all HAHP member organizations must be in unanimous agreement of the statement or position.

HAHP appreciates the opportunity to testify in opposition to SB 1140 SD2 HD2 which would establish in statute a reimbursement level for private health plans to reimburse Critical Access Hospitals (CAHs) at an undefined percentage of their self-reported costs and Federally Qualified Health Centers (FQHCs) at no less than their respective prospective payment system rates.

HAHP members agree with the federal government in its belief that CAHs and FQHCs provide vital services to segments of the community. In Hawaii, these facilities often provide services to QUEST and Medicaid populations who may have difficulty accessing health care in more traditional settings. That said, HAHP member organizations fundamentally disagree with the notion of setting reimbursement rates for providers of any type in employer sponsored health plans in Hawai'i statute. We believe instead that rate negotiations which determine the cost of covered services in commercial insurance plans, which are in place today, are the appropriate method to deal with this subject.

Thank you for the opportunity to offer comments today. We respectfully request the Committee hold SB 1140 SD2 HD2.

Sincerely,

Rick Jackson
President

HMSA

Blue Cross
Blue Shield
of Hawaii

An Independent Licensee of the Blue Cross and Blue Shield Association

April 3, 2009

The Honorable Marcus Oshiro, Chair
The Honorable Marilyn Lee, Vice Chair

House Committee on Finance

Re: SB 1140 SD2 HD2 – Relating to Health Care

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in opposition to SB 1140 SD2 HD2. This measure will require health plans to pay Critical Access Hospitals (CAH) an undefined percentage of costs for services and Federally Qualified Health Centers (FQHC) at rates considerably higher than independent practicing physicians.

HMSA values the inclusion of both CAHs and FQHCs in both our government programs and private networks. This bill, however, would favor these facilities over all other existing health care resources thereby creating an inequity in the way we manage our network relationships. Several issues in particular are noted below:

Self-Reporting of Costs
The bill mandates health plans reimburse CAHs for their costs that are self-reported. The measure contains no quality control or standardization criteria to verify that costs being reported by each facility are appropriate and in-line with other similarly situated health care facilities in the community.

Inequity of Payments
For a health plan to pay a CAH or an FQHC at a reimbursement rate that is greater than that of any other nearby health care provider is difficult, if not impossible, to justify to the greater provider community. These facilities are providing the same basic services to our members regardless of the government's designation of a CAH or FQHC.

The point has been made that the FQHCs are providing more services than an individual may typically be able to receive at a physician's office. While this may be the case under programs such as QUEST and Medicaid, it's important to note that such services are not included in HMSA's private business health plans. When FQHCs provide services to HMSA's private plan members for benefits which are not covered under the individual's plan we do not believe that employers should have to pay additional costs since these are not plan benefits. For example, if an HMSA private plan member were to visit their physician's office and the physician had arranged transportation for the member to visit a specialist, HMSA would not cover that cost. Under this bill, if that same member visited an FQHC, HMSA would be forced to pay for this service.

Thank you for the opportunity to testify on SB 1140 SD2 HD2.

Sincerely,

Jennifer Diesman
Assistant Vice President
Government Relations

TESTIMONY IN SUPPORT OF SB 1140, SD 2, HD 1: RELATING TO HEALTH CARE

Submitted By: Richard Bettini, Chief Executive Officer
Waianae Coast Comprehensive Health Center
Contact: 697-3457 or kompad@wcchc.com

The Waianae Coast Comprehensive Health Center asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

HAMAKUA
HEALTH CENTER INC

"CARING FOR OHANA,
CARING FOR YOU"

45-549 Plumeria Street

Honokaa, Hawaii 96727

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Fax: (808) 775-8404

www.hamakua-health.org

To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2

Relating to Health Care

Submitted by Susan B. Hunt, CEO
Hamakua Health Center, Inc.

April 3, 2009, 4:30 p.m. agenda, Room 308

Hamakua Health Center asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.

HO'ŌLA LĀHUI HAWAI'I
P.O. Box 3990; Līhu'e, Hawai'i
Phone: 808.240.0100 Fax: 808.246.9551

April 2, 2009

TO: COMMITTEE ON FINANCE
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

FROM: David Peters, Chief Executive Officer

SB 1140, SD2, HD2 *Relating to Health*
April 3, 4:30 p.m. agenda Room 308

Testifying in Support

Ho`ola Lahui Hawai`i is in support of the SB 1140, SD2, HD2.

We understand that this is a change in the way that many private insurers do business in Hawaii. We are appreciative of the existing partnership we have developed with insurance carriers over the years as non-profit collaborations are extremely important.

We believe that this simple methodology is actually easier to implement than the current complicated reimbursement methodologies that private insurers use. The health center's "Prospective Payment System or PPS rate streamlines and simplifies billing rates to a flat fee per encounter basis. It would not be difficult to implement such a system and most likely would save time and money on administrative costs. The PPS rate is tied to the Medicare Economic Index so the rates would raise or lower annually.

We do believe that this is an important avenue to assure that care is provided in underserved communities and creates the financial viability of community health centers into the future.

Mahalo for the opportunity to testify.

MCCORRISTON MILLER MUKAI MACKINNON LLP

ATTORNEYS AT LAW

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April 2, 2009

Honorable Marcus Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
Committee on Finance
House of Representatives
State Capitol
415 South King Street
Honolulu, Hawaii 96813

Re: S.B. No. 1140, S.D. 2, H.D.2, RELATING TO HEALTH CARE

Dear Chair Oshiro, Vice Chair Lee, and Committee Members:

On behalf of the American Family Life Assurance Company of Columbus (AFLAC), we respectfully submit the following written testimony with respect to Senate Bill No. 1140, Senate Draft 2, House Draft 2, relating to health care which is to be heard by your Committee on Finance on April 3, 2009.

S.B. No. 1140, S.D.2, H.D.2, requires all health plans in the State, including government payors, to pay to critical access hospitals no less than an unspecified percentage of costs for all services provided to plan beneficiaries, and to pay to federally qualified health centers no less than their respective prospective payment system rates. However, there are certain types of supplementary or limited benefit insurance, for example, covering only accidental injuries, or specific diseases, for which the foregoing requirement would not be appropriate.

Specifically, AFLAC offers limited benefit policies which provide supplemental, lump-sum benefits that are intended to assist the insured with the costs related to receiving services or treatment, such as travel and lodging costs, lost wages, *etc.*, rather than to reimburse the insured for the costs of the services or treatment itself, which are covered by the insured's primary health insurance. These limited benefit insurance policies provide benefits that paid directly to the insured, based on specific occurrences of treatment (or disease), without regard to the cost to the insured or the cost of treatment, *i.e.*, these policies are not reimbursement policies.

Because the benefits under such policies are paid to the insured in a lump sum amount, regardless of the cost of treatment, and because such benefits are supplemental to the insured's primary health insurance and are intended to cover costs related to the treatment, rather than the costs of treatment itself, requiring reimbursement as provided in S.B. No. 1140, S.D.2, H.D.2, would not be appropriate and would be contrary to the purpose of the consumer in purchasing the policy.

Prior to amendment by the House Consumer Protection and Commerce Committee, S.B. No. 1140 contained an exemption for accident-only, specified disease, hospital indemnity, medicare supplement, long-term care, or other limited benefit health insurance policy. We understand that concern was expressed with respect to medicare supplement policies (or medigap policies) and, in fact, these policies differ in certain respects from other types of limited benefit insurance policies in that the benefits payable under such policies are tied to the primary, *i.e.*, medicare, insurance coverage.

However, because the remaining types of limited benefit policies are not reimbursement policies, we respectfully request that the limited benefit health insurance exemption (*other than medicare supplement policies*) be added back to the new section to be added by Section 2 of S.B. No. 1140, as follows:

> "(#) This section shall not apply to an accident-only, specified disease, hospital indemnity, long-term care, or other limited benefit health insurance policy, other than a medicare supplement policy."

(Additional language underscored.)

Thank you for your consideration of the foregoing.

Very truly yours,

McCorriston Miller Mukai MacKinnon LLP

Peter J. Hamasaki

PJH:fk

To: **The House Committee on Finance**
The Hon. Marcus R. Oshiro, Chair
The Hon. Marilyn B. Lee, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2, HD 2
Relating to Health Care
Submitted by Michael Gleason
April 3, 2009, 4:30 p.m. agenda, Room 308

I ask for your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

FQHCs are comprehensive primary care providers, which serve underserved areas and populations. They provide high quality medical, dental, and mental health services and reduce the cost of care by providing timely access, integrated primary care, excellent case management, health education, and prevention. These services keep patients healthy and productive and allow them to reduce emergency room use, inpatient care, and specialty referrals. The FQHC model of care saves an estimated $1,800 per patient per year. In our experience, privately insured patients are just as likely to need, and get, all the services our health center provides as those who have Med-QUEST coverage or no insurance.

Thank you for the opportunity to support this bill.