

LINDA LINGLE  
GOVERNOR



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DIRECTOR

HENRY OLIVA  
DEPUTY DIRECTOR

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

April 31, 2010

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 1178, S.D. 2, H.D. 1, Proposed H.D. 2 – RELATING TO  
HEALTH**

Hearing: Wednesday, April 31, 2010, 7:00 P.M.  
Conference Room 308, State Capitol

PURPOSE: The purpose of the Proposed H.D. 2 of this bill is to appropriate \$40 million in FY 2010 for Medicaid.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports the proposed H.D. 2.

In her Governor's Message 381, sent to the Senate President and the House Speaker on March 18, 2010, Governor Lingle requested immediate consideration of a \$40 million FY 2010 emergency general fund appropriation for the health care payments program (HMS 401) and a corresponding federal fund match to address a funding shortfall in the Medicaid program.

The \$40 million in emergency appropriations will enable DHS to provide timely April payments to the contracted health care plans.

Borrowing from next year's budget to pay this year's obligation is a necessary but short-term solution for our Medicaid budget woes. The long-term solution is contained in the Governor's six-year financial plan, which pays off the \$40 million and reduces future shortfalls by adjusting Medicaid benefits to a level that is fair and fiscally sustainable.

The Medicaid program is essential for the public health, safety, and welfare of Hawaii residents and we ask for your favorable consideration of this emergency appropriation request.

Thank you for this opportunity to provide testimony.

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 1178, S.D. 2, PROPOSED H.D. 2

March 31, 2010

RELATING TO HEALTH

Senate Bill No. 1178, S.D. 2, Proposed H.D. 2, appropriates \$40,000,000 in general funds and \$80,000,000 in federal funds for an emergency appropriation in FY 10 for the Health Care Payments program (HMS 401) to address a funding shortfall in the Medicaid program.

We support this bill. A memorandum from the Governor requesting the bill's immediate passage is forthcoming.

It should be noted that this bill does not make an offsetting reduction to Act 162, SLH 2009, to reduce the HMS 401 budget by \$40,000,000 in general funds for FY 11 as requested by the Administration. It is assumed that an appropriate adjustment will be made during the budget conference to adjust House Bill No. 2200, Relating to the State Budget.



## Hawai'i Primary Care Association

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### House Committee on Finance

The Hon. Marcus Oshiro, Chair

The Hon. Marilyn B. Lee, Vice Chair

## **Testimony in Support of Senate Bill 1178 SD1 HD1 Proposed HD2** **Relating to Health**

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

**March 31, 2010, 7:00 p.m. Agenda #3, Room 308**

The Hawaii Primary Care Association strongly supports the proposed house draft two of this bill to appropriate \$40 million in general funds and \$80 million in matching federal Medicaid funds to address the fiscal year 2010 funding shortfall in the Medicaid program.

Community health centers provide health care to approximately 25% of QUEST enrollees, and Medicaid funding/reimbursements make up 41% of health center funding. Community health centers are already facing critical financial and capacity challenges due to budget cuts. In the past year we have seen a huge reduction in mental health services and benefits provided by the State, deep cuts to the State Med-QUEST program, elimination of health benefits for migrant populations, the elimination or reduction of dental benefits, and layoffs and RIFs of critical service personnel. Now, health plans are being told that the State will not be making payments to them for two to three months. These cuts to service and budget resources affect the delivery of quality health care to patients.

While we recognize that this is a short term solution for a problem of seemingly endless proportions, we urge the committee to pass this measure and ensure quality health care will be provided for our vulnerable populations.

Thank you for the opportunity to testify on this measure.



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March 31, 2010

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

From: 'Ohana Health Plan

Re: Senate Bill 1178, Senate Draft 2, House Draft 1, Proposed House Draft 2-Relating to Health

Hearing: Wednesday, March 31, 2010  
Hawai'i State Capitol, Room 308

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Since February 2009, 'Ohana Health Plan has provided services under the Hawai'i QUEST Expanded Access (QExA) program. 'Ohana is managed by a local team of experienced care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.3 million Medicaid and Medicare members nationwide. 'Ohana is able to take the national experience in providing an 'Ohana care model that addresses local members' healthcare and health coordination needs.

We appreciate this opportunity to submit testimony in **strong support** for Senate Bill 1178, Senate Draft 2, House Draft 1, Proposed House Draft 2-Relating to Health, which would make an emergency appropriation of \$40 million in general funds and result in \$80 million of additional federal Medicaid funds to address the Department of Human Service's (DHS) budget shortfall for fiscal year 2009-2010 for health care payments (HMS 401).

'Ohana Health Plan (OHP) is one of the five health care plans contracted under the QUEST program through the DHS. Since the DHS announced the potential 3-4 month delay in payment to the QUEST health care plans in January we have expressed our concerns on how a potential 3-4 month payment deferral could significantly impact our ability to pay our contracted providers in a timely manner and could cause a disruption in services to our members, which are low-income, aged, blind and disabled residents of our State.

As a contracted provider of services for the State of Hawai'i, we take our federally mandated responsibility to make covered services available and accessible through a sufficient delivery network very seriously. Passage of this measure, as amended will enable DHS to minimize delayed payment to the health care plans contracted under QUEST.

OHP deeply appreciates your assistance in helping us secure additional funding into the HMS 401 budget in order to minimize the DHS payment deferral. We respectfully request that you pass this measure. Thank you for the opportunity to testify in strong support of Senate Bill 1178, Senate Draft 2, House Draft 1, Proposed House Draft 2.



HOUSE COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

Conference Room 308  
March 31, 2010 at 7:00 p.m. (Agenda #3)

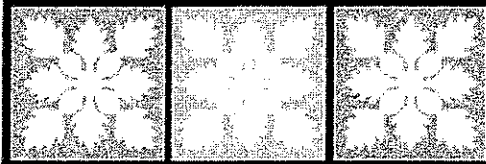
**Supporting SB 1178 SD2 HD 1 Proposed HD 2.**

The Healthcare Association of Hawaii represents 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 support SB 1178 SD 2 HD 1 Proposed HD 2, which appropriates State and federal funds for Hawaii's Medicaid program.

The Department of Human Services previously announced that it had intended to delay payments of \$300 million to \$400 million to Medicaid health plans in the current fiscal year due to a budget shortfall. A delay in payments of this magnitude would likely impact the ability of the Medicaid health plans to pay the providers of health care. Providers that serve the Medicaid population, such as hospitals, nursing facilities, care homes, foster homes, community health centers, physicians, home health agencies, are dependent on payments from the health plans to meet current operational expenses, including payroll. Many providers care for the Medicaid population with payments already below their actual costs. Adding delayed payments of this magnitude may give some of them no choice but to terminate services to their Medicaid patients, and some could shut their doors.

It is our understanding that the appropriations of \$40 million in State funds and \$80 million in federal funds intended to reduce the shortfall in Hawaii's Medicaid budget in the current fiscal year, and we would like to have assurances in the legislation that the appropriations will indeed be used for this purpose.

With that assurance, the Healthcare Association of Hawaii supports SB 1178 SD 2 HD 1 Proposed HD2.



# Hawaii Association of Health Plans

March 31, 2010

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

House Committee on Finance

**Re: SB 1178 SD2 HD1 Proposed HD2 – Relating to Health**

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

My name is Howard Lee 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 support of SB 1178 SD2 HD1 Proposed HD2 which would provide an emergency appropriation to the State’s Medicaid program.

All of HAHP member organizations were very concerned when the Department of Human Services announced it would be delaying payments to participating QUEST plans for up to four months. This would undoubtedly have had an impact on the entire health care system. The appropriation in the measure before you today will decrease the amount of time that QUEST plans must operate under a delayed payment schedule. We appreciate the Legislature’s action to ensure that funding is made available which will also draw down federal monies as well. We respectfully urge the Committee see fit to pass SB 1178 SD2 HD1 Proposed HD2.

Thank you for the opportunity to provide testimony today.

Sincerely,

Howard Lee  
President

Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

Before:  
House Committee on Finance  
The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair

March 31, 2010  
7:00 P.M.  
Conference Room 308

**SB 1178 SD2 HD1 Proposed HD2                      RELATING TO HEALTH**

Chair Oshiro, and committee members, thank you for this opportunity to provide testimony on SB 1178 SD2 HD1 Proposed HD2 which appropriates \$40 million in state funds and \$80 million in federal funds for fiscal year 2010 to address the shortfall in the Medicaid program.

**Kaiser Permanente Hawaii supports this bill.**

This bill is intended to help make up the shortfall the state has in the area of health care payments under HMS 401. Without this emergency appropriation health plans participating with the Department of Human Services will be required to continue the Quest and QuestExA programs with a delay payment for more than two months. For some participating plans this can mean delayed payments to providers. Not all providers will provide care for Quest and QuestExA participants. These delays could further erode the number and kind of providers willing to provide services to the vulnerable population in Medicaid.

We appreciate the legislature's efforts to address this concern and urge you to pass this bill.

Thank you for the opportunity to comment.



# HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 31, 2010

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

House Committee on Finance

**Re: SB 1178 SD2 HD1 Proposed HD2 – Relating to Health**

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify in **strong support** of SB 1178 SD2 HD1 Proposed HD2 which would make an emergency appropriation for the Medicaid program.

As you are aware, recently the Department of Human Services (DHS) stated that due to budgetary shortfalls, they would delay payments to contracted QUEST plans, beginning in April and extending through June. This caused great concern, not only for the QUEST plans, but for our members and participating providers as well.

The proposed draft would limit the amount of time QUEST plans would face a delayed payment through the provision of an emergency appropriation of \$40 million in state funds and draw down an additional \$80 million in federal funding. We greatly appreciate the Legislature's efforts and respectfully request the Committee pass this measure.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman  
Vice President  
Government Relations