

NEIL ABERCROMBIE
GOVERNOR



PATRICIA McMANAMAN
DIRECTOR

PANKAJ BHANOT
DEPUTY DIRECTOR

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

March 31, 2011

MEMORANDUM

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1292, H.D. 1 – MAKING AN EMERGENCY APPROPRIATION
TO THE DEPARTMENT OF HUMAN SERVICES FOR HEALTH
CARE PAYMENTS**

Hearing: Thursday, March 31, 2011, 4:00 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to make an emergency appropriation from the general revenues of the State of Hawaii for fiscal year 2010-2011 to address the budget shortfall in for the health care payments program (HMS 401) in the Department of Human Services.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill.

As a result of the economic downturn, eligibility for the State's health care insurance programs has increased by 10 to 12 per cent yearly for the current and previous two years. Last 2009-2010 fiscal year, the Department deferred two months of health plan capitation payments to the current 2010-2011 fiscal year. The budget

for the current fiscal year did not provide full funding for current year expenditures and expenditures deferred from the previous year.

The purpose of this Act is to appropriate \$57,500,000 in general funds and \$96,400,000 in federal funds for an emergency appropriation for fiscal year 2010-2011 for health care payments (HMS 401) to address a funding shortfall in the Medicaid program.

The expeditious approval of this emergency appropriation is critical for the Department of Human Services to ensure continued timely payments to contracted health plans and will ensure that there will be no disruption in the provision of medically necessary services to program recipients.

In addition, the Hawaii federal medical assistance percentage which sets the federal match for Medicaid funds will decrease from 62.63 per cent on June 30, 2011, to 51.79 per cent on July 1, 2011. If the \$57,500,000 is not appropriated for the current 2010-2011 fiscal year, not only will payments to the health plans have to be deferred to the next fiscal year but the State will also lose \$6,000,000 in federal funding because of the reduction in the federal medical assistance percentage on July 1, 2011. The \$6,000,000 will need to be paid with State general funds.

Thank you for this opportunity to provide testimony.



HAWAII MEDICAL ASSOCIATION

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Tuesday, March 31, 2011, 4:00 p., Conference Room 308

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

From: Hawaii Medical Association
Dr. Morris Mitsunaga, MD, President
Linda Rasmussen, MD, Legislative Co-Chair
Dr. Joseph Zobian, MD, Legislative Co-Chair
Dr. Christopher Flanders, DO, Executive Director
Lauren Zirbel, Community and Government Relations

Re: SB 1292 HD 1 MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE PAYMENTS

In Support

Chairs & Committee Members:

Hawaii Medical Association supports this measure.

With Medicaid reimbursements now at around 60% of Medicaid it is difficult to imagine how bad the situation of access to care will be if an appropriation to fill the Medicaid shortfall does not succeed.

Hawaii is hemorrhaging doctors because of high liability premiums and some of the lowest reimbursements in the nation. We are currently 644 physicians short according to a recent workforce assessment. **The primary reason that Physicians are unable to practice on the neighbor islands is because of the higher concentrations of Quest patients. One of our Physicians who is a Cardiologist was unable to qualify for a small business loan to practice on the Big Island because the bank did not recognize practicing medicine there as a viable business. She was forced to commute to Hawaii to practice. Physicians who see Medicaid patients will be unable to survive in Hawaii if reimbursements are lowered or payment becomes even more delayed than it already is.**

Mahalo for the opportunity to provide testimony.

OFFICERS

PRESIDENT - MORRIS MITSUNAGA, MD PRESIDENT-ELECT - ROGER KIMURA, MD
SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - DR. ROBERT C. MARVIT, MD TREASURER
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HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
March 31, 2011 at 4:00 p.m. (Agenda #3)

Supporting SB 1292 HD 1.

The Healthcare Association of Hawaii (HAH) 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. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in support of SB 1292 HD 1, which makes an emergency appropriation from the general revenues of the State of Hawaii for fiscal year 2010-2011 to address the budget shortfall in the health care payments program (HMS 401) in the Department of Human Services.

The appropriation will be used to match federal Medicaid funds before the federal matching percentage declines. Hawaii's Federal Medical Assistance Percentage (FMAP) is currently 62.63%. As of July 1, 2011, it will revert downward to its pre-American Recovery and Reinvestment Act (ARRA) level of 51.79%. In order for the State to take advantage of the higher FMAP, an appropriation would need to be made prior to July 1, 2011. Furthermore, as of October 1, 2011, Hawaii's FMAP will decline further, to 50.48%, requiring the State to use even more State funds to address the Medicaid shortfall.

The sooner the State makes an appropriation to match federal Medicaid funds, the more federal money will be drawn down for each State dollar. Hawaii stands to lose \$16.7 million in federal funds if it waits until after July 1, 2011. In these difficult economic times, other states are taking advantage of higher FMAPs to draw down federal funds before the reduction on July 1, 2011, although, like Hawaii, they are also facing large budget deficits.

The QUEST program currently covers over 266,000 beneficiaries, playing a vital role in our state's health care system. In addition to drawing down increased federal funds, this bill will reduce the delay in payments to health plans, which may have a domino effect on health care providers in the form of increased accounts receivables and bad debt, further weakening their financial condition. Providers depend on timely, accurate payments to fulfill their financial obligations to employees, contractors and suppliers. This bill will help strengthen the financial foundation of Hawaii's health care system.

For the foregoing reasons, the Healthcare Association supports SB 1292 HD 1.



AlohaCare

For a healthy Hawaii.

March 31, 2011
4:00 pm
Conference Room 308

To: The Honorable Rep. Marcus R. Oshiro, Chair
The Honorable Rep. Marylyn B. Lee, Vice Chair
House Committee on Finance

From: Paula Arcena, Director of Public Policy
Robert Toyofuku, Government Affairs

Re: SB1292, HD1 Making an Emergency Appropriation to the Department of Human Services for Health Care Payments

Thank you for the opportunity to testify in **support** of SB1292, HD1 which will authorize an emergency appropriation of \$57.5 million in general funds and \$96.4 million in federal funds for the 2010-2011 fiscal year to the Department of Human Services for Health Care Payments.

An emergency appropriation for health care payments will enable the Department of Human Services to make timely payments to its contracted health plans, including AlohaCare, that administer the Medicaid program. Additionally, the appropriation will enable DHS to draw down federal matching funds before they decrease from 62.63% on June 30, 2011 to 51.79% on July 1, 2011.

Approval of this measure will help to avert the near crisis that occurred in 2010 when the DHS announced it's plans delay four months of payments to its contracted health plans as a way to avoid a shortfall during that fiscal year. The lesson learned from the experience is that delaying payments to contracted health plans puts Hawaii's health care industry at risk and should be avoided in the future. Such a delay would have significantly reduced cash flow in Hawaii's health care industry and triggered a crisis. Providers depend upon payments from Hawaii's Medicaid health plans to underwrite their operations and provide much needed care. The magnitude of the crisis was much reduced when DHS later reduced its plan to delay payments for two rather than four months and health plans maintained payments to providers with little or no delay.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program started in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 75,000 QUEST enrollees statewide.

Thank you for this opportunity to testify.

Testimony of
John M. Kirimitsu
Legal and Government Relations Consultant

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

March 31, 2011
4:00 pm
Conference Room 308

**Re: SB 1292 HD1 MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE PAYMENTS**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on SB 1292 HD1 that would appropriate \$57,500,000 in state funds and \$96,400,000 in federal funds for fiscal year 2010-2011 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 deferred payments. For some participating plans this can mean delayed payments to providers. Not all providers will provide care for Quest and QuestExA participants, resulting in a disruption of medically necessary services. 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.



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Wednesday, March 31, 2011

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

From: 'Ohana Health Plan

Re: Senate Bill 1292, House Draft 1-Making an Emergency Appropriation to the
Department of Human Services for Health Care
Payments

Hearing: Wednesday, March 31, 2011, 4:00 p.m.
Hawai'i State Capitol, Room 308

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 health 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 testify in strong support of Senate Bill 1292, House Draft 1-Making an Emergency Appropriation to the Department of Human Services of Health Care Payments.

'Ohana Health Plan is one of the five contract health care plans under the State's QUEST and QUEST Expanded Access (QExA) programs. We operate largely with the support of government funding from the State of Hawai'i, and therefore would have deep concerns about any significant payment deferrals by the DHS, as these delays may 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.

While the State has not announced any delays in payment, we greatly appreciate the efforts of the Abercrombie-Schatz Administration who introduced this measure in order to take a proactive approach to ensure the continued payments for the Medicaid program without any significant delays to the contracted plans, and am grateful to the Legislature for moving this measure as expeditiously as possible.

Thank you for this opportunity to provide testimony in strong support of Senate Bill 1292, House Draft 1-Making an Emergency Appropriation to the Department of Human Services for Health Care Payments.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 31, 2011

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

Re: SB 1292, HD1 – Making an Emergency Appropriation to the Department of Human Services for Health Care Payments

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1292, HD1 which would appropriate State and matching federal funds to address a shortfall in the Medicaid program for FY 2010-2011. HMSA supports this measure.

During the last legislative session, with an extremely large budgetary shortfall looming, an emergency appropriation was passed to ensure that individuals enrolled in QUEST programs were able to continue to receive vital services. That shortfall caused great concern within the health care community, and HMSA appreciates the efforts of the Legislature to fund health care services to the neediest of populations.

Unfortunately, the State is again at a critical juncture with respect to federal funding for Medicaid. In July, the six-month extension of Federal Medical Assistance Percentage (FMAP) funding comes to an end. And, with the State still facing budget deficits and the enrollment of QUEST plans continuing to expand, we are again here in support of a measure which will provide funding to prevent another shortfall. We acknowledge that the State is being forced to make extremely difficult decisions when it comes to funding vital services to the residents of Hawaii, and we are thankful for your continued support.

We would respectfully request that the Committee see fit to pass SB 1292, HD1. Thank you for the opportunity to testify.

Sincerely,

Jennifer Diesman
Vice President
Government Relations

HAWAII SUBSTANCE ABUSE COALITION (HSAC)

Topic: SB 1292 HD1 Emergency and Budget Fund Reserve

To: COMMITTEE ON FINANCE: Representative Marcus Oshiro, Chair; Representative Marilyn Lee, Vice Chair

When: March 31st, Thursday, at 4:00 pm

Place: Conference Room 308

Aloha Chair Oshiro; Vice Chair Lee, and Distinguished members. My name is Alan Johnson, I am the Chairperson of the Hawaii Substance Abuse Coalition, a hui of about 20 alcohol and substance abuse treatment agencies in Hawai'i.

HSAC Supports SB1292 HD1

Non-profit providers must have timely payments for services already rendered in order to continue contracted services to those in need as well as sustain those programs that meet community responsibilities.

We appreciate the opportunity to provide information and are available for questions, if needed.

Topic: SB 1292 HD1 Emergency and Budget Fund Reserve

To: COMMITTEE ON FINANCE: Representative Marcus Oshiro, Chair; Representative Marilyn Lee, Vice Chair

When: March 31st, Thursday, at 4:00 pm

Place: Conference Room 308

Aloha Chair Oshiro; Vice Chair Lee, and Distinguished members.

My name is Linda L. Rich, DCSW, LSW, CSAC.

I am the director of The Salvation Army Family Treatment Services which provides substance abuse and mental health services, early childhood programs, and transitional housing for the homeless. The families I work with all depend on publically funded medical insurance for their health care needs.

I urge you to Support SB1292 HD1

Ensuring timely payments to health care plans and providers is critical so that the provision of medically necessary services goes uninterrupted.

Mahalo for the opportunity to share this information.