

NEIL ABERCROMBIE  
GOVERNOR



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**LATE**

February 25, 2011

**MEMORANDUM**

TO: The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means

FROM: Patricia McManaman, Interim Director

SUBJECT: **S.B. 785, S.D. 1 - RELATING TO HEALTH**

Hearing: Friday, February 25, 2011; 9:00 a.m.  
Conference Room 211, Hawaii State Capitol

**PURPOSE:** The purpose of S.B. 785, S.D. 1, is to appropriate general funds to the Department of Human Services to match the federal disproportionate share hospital allowance allocated to the State.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) recognizes and appreciates the important role the hospitals play in serving Medicaid recipients and as a safety-net provided to the uninsured and underinsured. DHS also recognizes its current budget shortfall situation.

The federal disproportionate share hospital (DSH) funding can be accessed and paid to the private hospitals with or without a new general fund appropriation. As is the case this year, no general fund expenditure was necessary because certified public expenditures were used as the required State share.

DHS submitted to the federal Centers for Medicare and Medicaid Services, a state plan amendment that has been approved, to cover the period July 1, 2009 through June 30, 2010. The \$10,000,000 DSH payment for this period will be paid to the hospitals in February 2011.

The next DSH period would be July 1, 2010 through June 30, 2011. The applicable Federal medical assistance percentage (FMAP) is the percentage in effect at the time the federal funding is accessed. For the next period, the applicable FMAP would be expected to be 50.48%. This means that a general fund appropriation of \$9,809,826 or an equivalent amount of certified public expenditures would be needed as the State share for \$10,000,000 of DSH.

DHS continues to assess its budget situation and potential impact on the hospitals.

Thank you for the opportunity to provide comments on this bill.