

HMSA

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An Independent Licensee of the Blue Cross and Blue Shield Association

January 31, 2012

The Honorable Ryan I. Yamane, Chair
The Honorable Dee Morikawa, Vice Chair

House Committee on Health

Re: HB 2275 – Relating to Hospitals

Dear Chair Yamane, Vice Chair Morikawa and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates your allowing us to testify on HB 2275. HMSA understands and appreciates the intent of this legislation but has concerns with the Bill as drafted.

HB 2275 authorizes hospitals to charge a fee of up to 3 percent of net patient service revenue. The revenue generated from the fee is to be transferred to the State Department of Human Services (DHS) for deposit into the Hospital Sustainability Special Fund (HSSF). DHS is allowed to retain up to 5 percent of those deposits to pay for administrative overhead. And, no less than 95 percent of those deposits are to be used to match federal Medicaid funds to increase Medicaid hospital payments.

This additional levy on hospital charges will shift the burden onto the private hospital contracts, which potentially raises a fairness question - who will end up paying for the fee. While Medicaid is a laudable and necessary program, it is a government program that should be a shared responsibility of all of us and not an additional burden on just our hospital patients.

While we understand the need for a State overhead charge to administer the HSSF, we are concerned that the Bill does not acknowledge that this program also creates an administrative burden on the health plans. The fee structure should be fashioned to also accommodate the additional administrative plan costs.

Thank you for allowing us to comment on this measure, and your consideration of our concerns is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'JD' followed by a long horizontal stroke.

Jennifer Diesman
Vice President
Government Relations