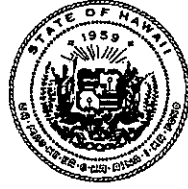


NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
INTERIM DIRECTOR
PANKAJ BHANOT
DEPUTY DIRECTOR

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

March 1, 2011

MEMORANDUM

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

FROM: Patricia McManaman, Interim Director

SUBJECT: **H.B. 594, H.D. 1 - RELATING TO HEALTH**

Hearing: Tuesday, March 1, 2011; 4:00 p.m.
Conference Room 308, Hawaii State Capitol

PURPOSE: The purpose of H.B. 594, H. 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.



HOUSE COMMITTEE ON FINANCE
Rep. Marcus Oshiro, Chair

Conference Room 308
March 1, 2011 at 4:00 p.m. (Agenda #7)

Supporting HB 594 HD 1.

The Healthcare Association of Hawaii 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. Thank you for this opportunity to testify in support of HB 594 HD 1, which appropriates State funds to match available federal DSH funds.

The federal government makes Disproportionate Share Hospital (DSH) payments available to hospitals that serve high numbers of low-income patients. DSH partially pays for care that is not covered by insurance such as Medicare, Medicaid, or private insurance. In 2009, Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care. Federal DSH funds are distributed to states, which in turn distribute the funds to the individual hospitals.

Although Hawaii's hospitals incur losses resulting from care that is provided to patients without insurance, Hawaii does not receive DSH funding on a regular basis. Hawaii lost DSH with the creation of its QUEST program under Medicaid. However, in recent years Hawaii's Congressional Delegation has been able to secure appropriations for DSH payments to Hawaii's hospitals, and \$100 million in federal DSH funds have been secured until 2019, or \$10 million per year, through the Affordable Care Act. These federal funds may be matched by State funds using the Federal Medical Assistance Percentage (FMAP).

The Healthcare Association would like to thank the Legislature for passing a bill last year that appropriated State funds to match federal DSH funds. Unfortunately, these funds were not released by the last administration.

The DSH bill proposed for the 2011 session would appropriate the State match for additional federal DSH funds that are available as of July 1, 2010 moving forward. The Healthcare Association has had conversations with the MedQuest, and it is believed that the FMAP will be 50.48% when the federal funds are matched, meaning that the State would need to appropriate approximately \$9.8 million, the figure contained in HB 594 HD 1.

For the foregoing reasons, the Healthcare Association supports HB 594 HD 1.



THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

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

March 1, 2011 – 4:00 p.m.
State Capitol, Conference Room 308

In Strong Support of HB 594 HD1, Relating to Health

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

My name is Rick Keene, Executive VP and Chief Financial Officer for The Queen's Health Systems. I am testifying for The Queen's Medical Center in strong support of HB 594, HD1 which appropriates State funds to match federal funding of \$10 million for the Disproportionate Share Hospital (DSH) allowance for Medicaid/Quest patients.

Medicaid/Quest is the cornerstone of health care for our most needy population. In fiscal year 2010, The Queen's Medical Center treated 6,124 inpatients and 39,411 outpatients who were covered by Medicaid/Quest. Hawaii's hospitals in particular have been detrimentally affected by the inadequacy of Medicaid/Quest reimbursements and payments, and have annually lost tens of millions of dollars because government reimbursement is far below the cost of providing medical care. In 2008 Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care.

The proposed State funding of \$9,800,000 for fiscal year 2011-2012 combined with the federal appropriation will supplement the reimbursement shortfall for Medicaid/Quest patients. Without state matching funds, the federal funding will be lost. Your support and approval of HB 594 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.

Testimony of
John M. Kirimitsu
Legal & Government Relations Consultant

Before:

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

March 1, 2011
4:00 pm
Conference Room 308

Re: HB 594, HD1 Relating to Health

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 594, HD1 that would appropriate state funds to match federal funding for the disproportionate share hospital allowance.

Kaiser Permanente Hawaii supports this bill.

The cost of delivering health care in Hawaii and across the nation continues to mount. Kaiser Hawaii recognizes that a combined state and federal funding is imperative to help offset the increasing costs of providing continuing health care in Hawaii's communities. In an effort to ensure that health care payments are sufficient to cover the actual costs of care provided to Hawaii's most vulnerable Medicaid population, Kaiser Hawaii supports this measure to appropriate the required state funds necessary to match the federal Medicaid disproportionate share hospital (DSH) appropriation of \$10,000,000 for Hawaii.

The proposed State appropriation amount of \$9,800,000, or the amount deemed necessary for fiscal year 2011-2012 to match the federal disproportionate share hospital allowance allocated to the State, together with the federal appropriation, will help support funding of quality health care for the State of Hawaii's Medicaid population, and provide much needed assistance in covering the actual costs of the care provided.

Thank you for the opportunity to comment.