

**HB 594**  
**HD2, SD1**

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA MCMANAMAN  
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STATE OF HAWAII  
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March 30, 2011

**MEMORANDUM**

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

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 594, H.D. 2, S.D. 1 - RELATING TO HEALTH**

Hearing: Wednesday, March 30, 2011; 9:30 p.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of H.B. 594, H.D. 2, 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) appreciates the intent of this bill to provide a general fund appropriation to match the federal disproportionate share hospital allowance allocated to the State. DHS recognizes and appreciates the important role the hospitals play in serving Medicaid recipients and as a safety-net provider to the uninsured and underinsured.

This bill, however, is not necessary.

The federal disproportionate share hospital (DSH) funding can be accessed and paid to the private hospitals without a new general fund appropriation. This year, \$10,000,000 of DSH was paid to hospitals in February 2011 and no general funds

were necessary because certified public expenditures (CPEs) were used as the required State share.

The next DSH period would be July 1, 2010 through June 30, 2011, and \$10,000,000 in DSH can again be accessed and paid to hospitals using CPEs as the required State share.

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



# THE QUEEN'S MEDICAL CENTER

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Senator David Y. Ige, Chair  
Senator Michelle Kidani, Vice Chair  
**COMMITTEE ON WAYS AND MEANS**

March 30, 2011 – 9:30 a.m.  
State Capitol, Conference Room 211

**In Strong Support of HB 594 HD2 SD1, Relating to Health**

Chair Ige, Vice Chair Kidani 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, HD2 SD1 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 approximately \$9.8 million 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 HD2 SD1 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.