



THE QUEEN'S HEALTH SYSTEMS

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Representative Ryan I. Yamane, Chair
Representative Dee Morikawa, Vice Chair
HOUSE COMMITTEE ON HEALTH

Representative John M. Mizuno, Chair
Representative Jo Jordan, Vice-Chair
HOUSE COMMITTEE ON HUMAN SERVICES

March 20, 2012 – 10:00 a.m.
State Capitol, Conference Room 329

In Strong Support of SB 2083, SD1 Relating to Health

Chair Yamane, Chair Mizuno, and Members of the Committees:

My name is Rick Keene, Senior VP and Chief Financial Officer for The Queen's Health Systems. I am testifying for The Queen's Medical Center in strong support of SB 2083 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 FY 10, it is estimated that Queen's cost for the unpaid cost of Medicaid was \$28.3 million.

The proposed State funding of \$ 9,282,684 for fiscal year 2012-2013 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 SB 2083, SD1 is respectfully requested as it will enable Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to provide testimony in support of this measure.

NEIL ABERCROMBIE
GOVERNOR



PATRICIA McMANAMAN
DIRECTOR

BARBARA A. YAMASHITA
DEPUTY DIRECTOR

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March 20, 2012

TO: Honorable Ryan I. Yamane, Chair
House Committee on Health

Honorable John M. Mizuno, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2083, S.D.1 - RELATING TO HEALTH**

Hearing: Tuesday, March 20, 2012; 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to appropriate funds for fiscal year 2012-2013 to be used to match the federal disproportionate share hospital allowance allocated to the State.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the overall intent of this bill as it includes initiatives supportive of our goals and objectives but we are concerned about the cost implications generated by this proposal.

Hospitals are a critical safety-net provider; their doors are always open to meet the community's needs, as we saw in the hospitals' contributions in accepting complex patients during Hawaii Medical Centers' closure. For this reason, it was important to find a way to provide the private hospitals with a supplement of \$10

million, the amount of the federal disproportionate share hospital (DSH) appropriation, for each of the past few years despite the State's challenging economic situation. These supplements were made using certified public expenditures as the State share so that no additional appropriation was required.

A supplement of \$10 million is expected to be paid to the private hospitals again in SFY 2013. This bill would authorize a new appropriation over and above the state certified public expenditure to be the State share for the full DSH amount and would result in an increase in the supplement to the State. Although we greatly appreciate the role hospitals play, the additional general fund appropriation is not included in the Governor's budget.

By way of clarification, the disproportionate share hospital (DSH) funding is available within a federal fiscal year, not by quarter, and the applicable federal medical assistance percentage is that in effect when the payment is made. Because a State Plan Amendment is required, if this bill is enacted, payment would be expected to occur after October 1, 2012 for the DSH for federal fiscal year 2012.

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