



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

February 28, 2012

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

FROM: Patricia McManaman, Director

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

Hearing: Tuesday, February 28, 2012; 9:00 a.m.
Conference Room 211, 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.



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The Twenty-Sixth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
February 28, 2011

S.B. 2083, S.D. 1 – RELATING TO HEALTH

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of S.B. 2083, S.D. 1 - Relating to Health. This bill would match the federal Medicaid disproportionate share hospital (DSH) appropriation of \$10 million per year, which has been secured through 2019.

However, these federal Medicaid funds cannot be drawn down without a matching state appropriation. The as-yet-to-be-defined state appropriation for FY 2012-13 will enable the Department of Human Services to utilize the available federal DSH allowance allocated to the state.

Hawaii's hospitals, including the Hawaii Health Systems Corporation, provide health care services to thousands of uninsured patients each year. DSH payments are of critical importance to our public and private hospitals because it helps to cover the increasing cost of uncompensated care in Hawaii.

We appreciate the opportunity to speak in strong support of S.B. 2083, S.D. 1.

Respectfully submitted,

Leiomalama E. Desha
Deputy Executive Director



SENATE COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair

Conference Room 211
February 28, 2012 at 9:00 a.m.

Supporting SB 2083 SD 1: Relating to Health

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. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of SB 2083 SD 1, which appropriates State general funds to match federal Disproportionate Share Hospital (DSH) funds.

The federal government makes DSH payments available to hospitals that serve high numbers of low-income patients. DSH pays for a portion of the total cost of care that is not covered by insurance such as Medicare, Medicaid, or private insurance. In 2011 Hawaii's hospitals experienced losses exceeding \$80 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 individual hospitals. These federal funds are required to be matched by the State using the Federal Medical Assistance Percentage (FMAP).

In the past, the State has used general funds or certified public expenditures to match federal DSH funds. When general funds are used as the match, the general funds are also distributed to hospitals. When certified public expenditures are used as the match, only the federal DSH funds are distributed to hospitals. In some years the certified public expenditures were not enough to draw down the maximum federal DSH funds that were available. This bill maximizes the amount distributed to hospitals by appropriating general funds.

For the foregoing reasons the Healthcare Association of Hawaii supports SB 2083 SD 1.