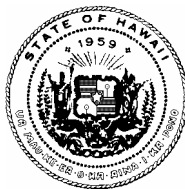


NEIL ABERCROMBIE
GOVERNOR



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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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February 29, 2012

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2120 - RELATING TO HEALTH**

Hearing: Wednesday, February 29, 2012; 9:15 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to increase the payment for physician services for medicaid-eligible persons, including fee-for-service and QUEST-eligible individuals, and the QUEST expanded care program.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent and understands the importance of adequate payment to physicians in order to maintain access to healthcare services. However, given the fragile state of Hawaii's economy, we are unable to support the appropriation.

Under the Health Care and Education Reconciliation Act of 2010 which amended the Patient Protection and Affordable Care Act, reimbursement to primary care providers for Evaluation and Management services provided to Medicaid recipients is required to increase to 100% of Medicare rates for a two year period beginning January 1, 2013. This increase will be entirely federally funded, and is expected to be approximately \$20 million a year.

The requirement, however, does not apply to and enhanced federal funding is not available for services provided to children and pregnant women covered under the Children's

Health Insurance Program (CHIP), any specialist physician services, and any other provider services.

While the increased primary care funding is an excellent opportunity, the impact of end of the period and return to the current reimbursement levels of approximately 60% of the 2006 Medicare rates may be of concern. Please note that since 2006, the Medicare physician reimbursement rates for evaluation and management services have increased only ~4%, while reimbursement for some other services has decreased.

According to the Kaiser Family Foundation, in 2008 (most recent data available), Hawaii's Medicaid reimbursement rate compared to Medicare was 64% for primary care, 86% for obstetric care, and 76% for other physician services, for an all service average of 73%. Also according to the Kaiser Family Foundation, in 2008 (most recent data available), compared to the national Medicaid average, Hawaii Medicaid reimbursement rate was 4% higher for primary care, 3% lower for obstetric care, and 14% higher for other physician services, for an all service reimbursement average which was 4% higher than the national Medicaid average.

In general if physician reimbursements were to increase by 5% DHS would need \$4.9 million in general funds and \$9.8 million if reimbursements increased by 10%. If Medicaid enrollment was to decrease by 5% expenditures would decrease by \$21.4 million in general funds and \$42.8 million if enrollments went down 10%. We urge the Legislature to keep in mind, however, that in 2014 with the implementation of the Affordable Care Act, the Department is expecting an increase in Medicaid enrollees due to eligibility changes. It is projected that we will see an increase of 23,000 recipients with incomes up to 133% of the poverty level with no asset test and an additional 35,000 who will drop their private insurance and enroll into Medicaid as they would then qualify.

Thank you for the opportunity to comment on this bill.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: hspoehr@papaolalokahi.org
Subject: Testimony for SB2120 on 2/29/2012 9:15:00 AM
Date: Wednesday, February 29, 2012 9:04:02 AM

Testimony for WAM 2/29/2012 9:15:00 AM SB2120

Conference room: 211
Testifier position: Support
Testifier will be present: No
Submitted by: Hardy Spoehr
Organization: Papa Ola Lokahi
E-mail: hspoehr@papaolalokahi.org
Submitted on: 2/29/2012

Comments:

Aloha. Papa Ola Lokahi strongly supports this measure

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: babyjean@hotmail.com
Subject: Testimony for SB2120 on 2/29/2012 9:15:00 AM
Date: Tuesday, February 28, 2012 3:17:45 PM

Testimony for WAM 2/29/2012 9:15:00 AM SB2120

Conference room: 211
Testifier position: Support
Testifier will be present: Yes
Submitted by: Ronnie Perry
Organization: Individual
E-mail: babyjean@hotmail.com
Submitted on: 2/28/2012

Comments: