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**DEPARTMENT OF HUMAN SERVICES**

P. O. Box 339  
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February 22, 2021

TO: The Honorable Senator Donovan M. Dela Cruz, Chair  
Senate Committee on Ways & Means

The Honorable Senator Karl Rhoads, Chair  
Senate Committee on Judiciary

FROM: Cathy Betts, Director

SUBJECT: **SB 1132 SD 1 – RELATING TO MEDICAID SUSTAINABILITY.**

Hearing: February 23, 2021, 10:35 a.m.  
Via Videoconference, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this administration measure. The Senate Committee on Human Services amended the measure by,

- (1) Adding language to the definition of "health insurer" to exclude "not-for-profit" health plans;
- (2) Removing language from the definition of "member month;"
- (3) Inserting an effective date of May 1, 2029, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

**PURPOSE:** The purpose of the bill is to establish the Medicaid Sustainability Program for two years. Appropriates funds out of the Medicaid Sustainability Program Special Fund for fiscal years 2021-2022 and 2022-2023. (SD1)

In Hawaii, a Medicaid sustainability fee assessed on health insurers would help guarantee access to critical Medicaid benefits such as supportive housing, behavioral health,

vaccinations, preventive health, primary care, and home- and community-based services at a time when constraints on the State's budget due to the COVID-19 pandemic may force a reduction in payments. As such, the provider fee would help preserve access to health care for the Medicaid population and sustain the State's entire healthcare system.

Provider fees, which are collected from specific categories of health care providers, may be imposed on different classes of health care services, including the revenue of health insurers. Provider fees, such as those proposed in this program, can leverage federal Medicaid funds with little to no impact on the providers, or on overall health care costs.

Provider fees are used in forty-nine states and the District of Columbia and, of these, sixteen states, including California, Michigan, Oregon, and Washington, use health insurer provider fees. For nearly ten years, the Medicaid program has successfully operated two sustainability programs, the Hospital and the Nursing Facility Sustainability programs. Of note, both the hospital and nursing facility sustainability programs do assess fees on non-profit providers, which is different than the SD1 amendment that exempts the non-profit health insurers.

The estimated net benefit to the Medicaid program prior to the SD1 amendment excluding non-profit health insurers was approximately \$15,000,000; with the SD1 exemption of non-profit health insurers, the net benefit is reduced to \$6,000,000. The proposed Medicaid sustainability health insurer fee would be used to access available federal matching funds, in the amount of \$30,000,000 with non-profits included, and \$12,000,000 with the SD1. This program will help sustain the State's Medicaid program at time the program is projecting budget shortfalls of over \$12,000,000 in SFY 2021-22 and \$30,000,000 in SFY 2022-23.

The budget shortfalls are due to increasing health care costs and the expanding Medicaid enrollment now at more than 404,000 residents given the effects of the pandemic impact on the economy. If unable to fill the budget shortfall through these additional Medicaid funds, DHS would likely need to make reductions in provider rates, narrow or eliminate health benefits, or reduce eligibility. These changes would have a negative impact on the State's health care delivery system and on the well-being of the community at a time when health care coverage is even more essential.

The measure also exempts the Medicaid sustainability special fund from the central services assessment and the administrative expenses assessment applied to special funds.

These exemptions will allow a greater benefit to be used by the Medicaid program.

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



**Testimony to the Senate Committee on Ways and Means  
Tuesday, February 23, 2021; 10:35 a.m.  
State Capitol, Conference Room 221  
Via Videoconference**

**RE: SENATE BILL NO. 1132, SENATE DRAFT 1, RELATING TO THE MEDICAID SUSTAINABILITY PROGRAM.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** Senate Bill No. 1132, Senate Draft 1, RELATING TO THE MEDICAID SUSTAINABILITY PROGRAM.

The bill, as received by your Committee, is part of the Administration's legislative package, and would preserve access to health care for Medicaid recipients by:

- (1) Establishing a Medicaid Sustainability Fee assessed on health insurance;
- (2) Establishing a Medicaid Sustainability Program Special Fund; and
- (3) Specifying that fees collected be used to fund healthcare services covered under Medicaid.

To facilitate discussion, this bill would take effect on May 1, 2029.

By way of background, the HPCA represents Hawaii Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

**Testimony on Senate Bill No. 1132, Senate Draft 1**  
**Tuesday, February 23, 2021; 10:35 a.m.**  
**Page 2**

Recognizing that Medicaid payments were far below the actual costs of care, the Legislature enacted Act 217, SLH 2012, to establish the Hospital Sustainability Program, and Act 156, SLH 2012, to establish the Nursing Facility Sustainability Program to increase payments to hospitals and nursing facilities respectively. Conceptually similar to these two programs, the Medicaid Sustainability Program proposed in this bill would levy a surcharge on health insurers to offset the actual costs of care for providers.

Because Medicaid is a jointly financed program of the federal and State governments, the State has very little say in the specific amounts that are paid to providers since the amounts that may be reimbursed are set under federal fee schedules. While managed care was intended to provide the State with greater flexibility to increase the efficiency and effectiveness of the Medicaid Program, the specific amounts of reimbursement must still be approved by the federal government.

Under these circumstances, private health care providers are generally dissuaded from servicing Medicaid patients because more often than not, they will do so at a loss.

Because most of our clients are Medicaid recipients, FQHCs are constantly juggling resources to ensure that our patients are provided high quality primary health care that they need and deserve.

If this bill is enacted, it would provide the Department of Human Services with additional resources to assist health care providers service our most vulnerable populations. For this reason, the Hawaii Primary Care Association supports this measure and urges your favorable consideration.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or [eabe@hawaiipca.net](mailto:eabe@hawaiipca.net).



February 23, 2021

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

The Honorable Karl Rhoads, Chair  
The Honorable Jarrett Keohokalole, Vice Chair  
Senate Committee on Judiciary

Re: SB 1132 SD1 – Relating to the Medicaid Sustainability Program

Dear Chair Dela Cruz, Chair Rhoads, Vice Chair Keith-Agaran, Vice Chair Keohokalole, and  
Committee Members:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to provide comments on SB 1132 SD1, which establishes the Medicaid Sustainability Program for two years. And appropriates funds out of the Medicaid Sustainability Program Special Fund for fiscal years 2021-2022 and 2022-2023.

Founded by a group of teachers and social workers, HMSA has been serving Hawaii as a not-for-profit health plan for the past 83 years. During that time we have strived to provide health and financial security for our community through the highs and lows of the past 8 decades. One of the primary reasons HMSA has been able to do so is because of our status as a non-taxed not-for-profit health plan at a state level, whose savings are passed on to businesses, members, and the community.

We appreciate the intent of the amendments made by the Committee on Human Services and propose amended language that provides further clarity as to the application of the exemption for non-for-profit health insurers. We respectfully request the language defining a “health insurer”, page 4 line 10-17 be amended to:

*"Health insurer" means a self-insured plan, a group health plan as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, a health service benefit plan, a mutual benefit society, a health maintenance organization, a managed care organization, or other party that is, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service, but shall not include any of the foregoing to the extent the health plan, mutual benefit society, health maintenance organization, managed care organization, or other party is not-for-profit.*

Thank you for allowing us to comment on SB 1132 SD1. Your consideration is appreciated.

Sincerely,



A handwritten signature in black ink, appearing to read "Matthew W. Sasaki".

Matthew W. Sasaki  
Director, Government Relations



Date: Tuesday, February 23, 2021

To: The Honorable Senator Donovan M. Dela Cruz, Chair, Committee on Ways and Means  
The Honorable Senator Karl Rhoads, Chair, Committee on Judiciary

From: Paula Arcena, Vice President, External Affairs  
Peggy Mierzwa, Senior Policy Analyst, External Affairs

RE: **SB1132 SD1 SUPPORT** Relating to the Medicaid Sustainability Program

AlohaCare appreciates the opportunity to provide testimony in **support** of SB1132 SD1. This measure establishes the Medicaid sustainability fee to be assessed on health insurers, a special fund to receive the funding and the ability to use those funds from the special fund. AlohaCare is ready to pay this fee because of the benefits it will provide our community. The funding would ensure that Medicaid patients are receiving the critical services provided through Medicaid such as vaccines, behavioral health, primary care, preventative care, and home and community based services. The fees collected through this program will also increase the amount of federal funding the state is eligible to receive for its Medicaid program.

Founded in 1994, AlohaCare is a community-rooted, non-profit health plan serving 73,000 Medicaid and dual-eligible health plan members on all islands. It is the only state health plan exclusively serving Medicaid patients. Our mission is to serve individuals and communities in the true spirit of aloha by ensuring and advocating access to quality health care for all. We believe that health is about supporting whole-person care, including access to housing and food security, to build a stronger, healthier Hawaii.

Over the events of the past year, Medicaid enrollment has increased by 23%. In January 2020, 327,078 individuals were enrolled in Medicaid. Currently, there are 402,915 individuals enrolled in Medicaid. Our community members need access to vital health care services and programs. This program will help to make sure people continue to get the services they need, maintain wellness, and be able to go back to work healthy. With the dire financial situation facing the state, these services could be severely limited or cut entirely. This program will infuse funds into much needed programs for our communities.

These provider fees are being collected in 49 states and the District of Columbia in order to draw down more federal funds. Likewise, enacting this program in Hawaii will enable the state to receive more federal funding. The Medicaid sustainability program will work in conjunction with the existing hospital and long-term care facilities sustainability programs, approved by the legislature and currently operating in the state. It will ensure we keep the people the people healthy through the vital healthcare services Medicaid provides.

Mahalo for this opportunity to Support SB1132 SD1.

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808.675.7300 | www.ohanahealthplan.com

February 23, 2021  
10:35 a.m.

Conference Room 211 & Videoconference

To: The Honorable Chair Donovan M. Dela Cruz  
The Honorable Vice Chair Gilbert S.C. Keith-Agaran  
Senate Committee on Ways and Means

The Honorable Chair Karl Rhoads  
The Honorable Vice Chair Jarrett Keohokalole  
Senate Committee on Judiciary

From: 'Ohana Health Plan  
Rachel Wilkinson, Government Affairs Sr. Manager

Re: SB 1132 SD1, Relating to the Medicaid Sustainability Program

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'Ohana Health Plan is a wholly owned subsidiary of Centene Corporation, a leading multi-national healthcare enterprise committed to helping people live healthier lives. Since 2008, 'Ohana Health Plan has provided government-sponsored managed care services to families—from keiki to kupuna—and individuals with complex medical needs primarily through QUEST Integration (Medicaid), Medicare Advantage and Medicare Prescription Drug Plans across the state.

'Ohana Health Plan appreciates the opportunity to submit testimony on SB 1132 SD1, which establishes the Medicaid Sustainability Program for two years; appropriates funds out of the Medicaid Sustainability Program Special Fund for fiscal years 2021-2022 and 2022-2023.

'Ohana Health Plan **opposes** SB 1132 SD1 **as currently written**.

Hawaii is facing an unprecedented budget shortfall. The purpose of the proposed Medicaid Sustainability Program is to collect fees from Hawaii health insurers—for a limited time, with a limited purpose—in order to draw down increased federal funds to help balance the state's budget.

However, the language in SB 1132 SD1 on page 4, lines 16-17, specifically carves out not-for-profit health plans from the definition of "health insurer." By doing so, the fees levied solely on for-profit health plans will not achieve the desired outcome of increasing the federal match to offset the State's budget deficit.

Many people in Hawaii receive health insurance through their employers, largely due to the Prepaid Health Care Act. Unfortunately, during the COVID-19 public health emergency, the economic downturn caused many individuals in the private sector to lose their coverage and the Hawaii Medicaid program saw a more than 22 percent increase in enrollment.

Since Medicaid is a jointly-funded federal and state program, we support the Department of Human Services, Med-QUEST Division's efforts to maintain a robust Medicaid program during a global pandemic. If the State is unable to assess a health insurer fee upon all health plans—regardless of not-for-profit or for-profit status—access to much-needed critical healthcare services may not be guaranteed and the Medicaid program could see reductions in current provider rates, beneficiary eligibility and benefits.

Thank you for allowing us to express our concerns on this measure.