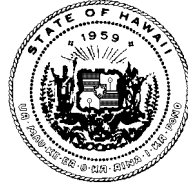


LATE

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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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February 10, 2021

TO: The Honorable Senator Joy San Buenaventura, Chair
Senate Committee on Human Services

FROM: Cathy Betts, Director

SUBJECT: **SB 1132 – RELATING TO MEDICAID SUSTAINABILITY**

Hearing: Thursday, February 11, 2021, 3:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this administration measure, and requests an amendment.

PURPOSE: The purpose of the bill is to ensure access to health care for Medicaid recipients by: (1) establishing a Medicaid sustainability fee assessed on health insurers; (2) establishing a Medicaid sustainability program special fund to receive money from the Medicaid sustainability fee and federal Medicaid matching funds; and (3) providing for the use of the money in the Medicaid sustainability program special fund.

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 are used in forty-nine states and the District of Columbia and, of these, sixteen states 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. The proposed Medicaid sustainability health insurer fee that would be used to access available federal matching funds, will help sustain Medicaid programs during this time of large state budget deficits, increasing health care costs, and expanding Medicaid enrollment, and help offset possible cuts to Medicaid beneficiary benefits, provider rates or other Medicaid programs. The estimated net benefit to the Medicaid program is approximately \$15,000,000.

DHS offers an amendment to simplify the definitions. The proposed amendment is on page 4, lines 14-16, Section 2 -3 Definitions, "Member Months" to read as follows:

"Member month" means the total number of individuals for whom the health insurer has recognized revenue for one month. If revenue is for only part of a month for an individual, a prorated partial member month may be counted. Member months [~~are determined by the insurance division of the department of commerce and consumer protection and~~] do not include individuals enrolled in short-term medical, noncomprehensive medical, specified disease, limited benefit, accident only, accidental death and dismemberment, disability income, long-term care, medicare supplemental, stand-alone dental, dental, pharmacy benefit manager, medicare, medicare advantage, medicare

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part D, vision, prescription, tri-care, other federal insurance, and other individual medical insurance.”

Thank you for the opportunity to provide comments on this measure.



**Testimony to the Senate Committee on Human Services
Thursday, February 11, 2021; 3:00 p.m.
State Capitol, Conference Room 225
Via Videoconference**

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

Chair San Buenaventura, Vice Chair Ihara, 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, 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.

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.

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.



February 11, 2021

The Honorable Joy A. San Buenaventura, Chair
The Honorable Les Ihara Jr., Vice Chair
Senate Committee on Human Services

Re: SB 1132 – Relating to the Medicaid Sustainability Program

Dear Chair San Buenaventura, Vice Chair Ihara, and Committee Members:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to express concerns on SB 1132, 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.

The language in this measure is concerning as it will eliminate the tax exemption at a state level and place additional financial burden on our not-for-profit health plan, and to that effect, detrimental impact upon our businesses, members, and community.

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

Sincerely,

Matthew W. Sasaki
Director, Government Relations



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February 11, 2021
3:00 p.m.
Conference Room 225

To: The Honorable Chair Joy A. San Buenaventura
The Honorable Vice Chair Les Ihara, Jr.
Senate Committee on Human Services

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

Re: SB 1132, Relating to the Medicaid Sustainability Program

'Ohana Health Plan **supports the intent** of SB 1132, 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 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.

Medicaid is often touted as the healthcare “safety net.” According to the Kaiser Family Foundation¹, Medicaid provides coverage to nearly 1 in 5 Americans and acts as a catch-all by supporting Medicare and aiding the private health insurance market. For example, Medicaid may help low-income Medicare beneficiaries with cost-sharing and provide long-term services and supports that are not covered by Medicare. If eligibility requirements are met, Medicaid can provide coverage for people who do not qualify for employer-based health insurance, and can help individuals living with disabilities who are unable to work. Simply put: Medicaid helps sustain the healthcare system as a whole.

¹ Kaiser Family Foundation. (2019, March 6). 10 Things to Know about Medicaid: Setting the Facts Straight. Retrieved from <https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/>

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.

Hawaii is facing an unprecedented budget shortfall. Since Medicaid is a jointly-funded federal and state program, we support the Department of Human Services, Med-QUEST Division's efforts to offset the state's budget deficit. The proposed Medicaid Sustainability Program is a temporary stop-gap measure during an unprecedented time. It is not intended to provide a permanent crutch to the Medicaid program.

As written, SB 1132 would collect fees from health insurers for a limited time, with a limited purpose. If enacted, the program will preserve access to much-needed critical healthcare services without compromising or reducing current provider rates, beneficiary eligibility, benefits, and choice of health plans.

Given the state's current financial situation, 'Ohana Health Plan supports the intent of the Medicaid Sustainability Program in order to draw down increased federal funds to help fill in the gaps and balance the state's budget, provided that it does not negatively impact the financial wellbeing of health plans and allows the state the ability to repeal the fee when it is no longer needed.

Thank you for the opportunity to submit testimony on this measure.