



GOV. MSG. NO. 1082

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 11, 2007

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: Senate Bill 1672 SD2 HD3 CD1

On July 10, 2007, Senate Bill 1672, entitled "A Bill for an Act Relating to Health" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

This bill: (1) appropriates \$8 million in fiscal year 2007-2008 and \$8 million in fiscal year 2008-2009 to the Department of Human Services (DHS) in order to increase physician reimbursement rates that are paid to doctors who provide care under Medicaid and QUEST; and (2) requires DHS to submit a supplemental budget request of \$8 million or more for FY2009 to the 2008 Legislature to sustain the increased Medicaid and QUEST payments to physicians.

The objective of this bill to increase physician reimbursement rates is laudable. It is vitally important to address the rates of physician reimbursement to ensure that all Hawaii patients, particularly those who live in rural areas, have access to quality health care. However, this bill poses several serious concerns.

Regrettably, the Legislature appropriated these funds outside of the normal budget process. These expenditures have not been included in the State's six-year financial plan and have not been weighed against other State priorities. Since I took office in 2002, I have urged the Legislature to exercise fiscal discipline and prudent financial planning by acting only after developing a comprehensive, multi-year fiscal framework. This year, as I have in all previous legislative sessions, I exercised financial discipline by developing a six-year, balanced and comprehensive financial plan prior to submitting my executive budget.

Unfortunately, the Legislature did not exercise the same fiscal responsibility by including this appropriation as part of the Executive Biennium Budget. In addition, such a large appropriation raises concerns on the potential adverse impact this expenditure may have on future State spending requirements.

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This bill is also objectionable because it unfairly intrudes upon the basic tenants of the separation of powers among the branches of government. The bill unduly interferes into the prerogatives of the Executive Branch by requiring DHS to add millions of dollars to its base budget request.

In addition, this bill is objectionable because, in practice, it will be hard to implement--particularly for the physicians who provide services to QUEST patients. Unlike Medicaid fee-for-service, DHS does not pay a specified rate for physicians who provide services to Medicaid QUEST patients. Instead, DHS pays a capitated, per person daily rate to the contractors who provide services. Therefore it will be difficult for QUEST to distribute equitably the additional funds, and may subject existing physician-insurer contracts to renegotiation.

This Administration will continue to work with the health industry to develop quality health access standards for both Medicaid-eligible patients and those under managed care programs such as QUEST.

For the foregoing reasons, I allowed Senate Bill 1672 to become law as Act 284, effective July 10, 2007, without my signature.

Sincerely,



LINDA LINGLE

A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that medicaid is the
2 cornerstone of health care for our most needy population.
3 Further, the legislature has previously recognized that it is in
4 the public interest to ensure that health care payments made
5 with state funds or controlled by the State are sufficient to
6 cover the actual costs of care. However, inadequate payment and
7 reimbursement from medicaid have compromised access to medical
8 care not only for the uninsured and those covered by medicaid
9 but also for individuals who are covered by private employer-
10 based health insurance.

11 As documented in numerous media reports, medical care
12 services, especially in specialty care coverage in rural areas
13 and on the neighbor islands, has reached crisis proportions.

14 Hawaii's physicians servicing medicaid eligible persons
15 have been adversely affected by the inadequacy of medicaid
16 reimbursements and payments.



1 The purpose of this Act is to increase the payment for
2 physician services for medicaid eligible persons including fee-
3 for-service and QUEST eligible individuals.

4 SECTION 2. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$8,000,000 or so much
6 thereof as may be necessary for fiscal year 2007-2008 and the
7 same sum or so much thereof that may be necessary for fiscal
8 year 2008-2009 to increase moneys paid out for physician
9 services for the care of medicaid eligible persons, including
10 fee-for-service and QUEST physician services.

11 The sums appropriated shall be expended by the department
12 of human services for the purposes of this Act; provided that:

13 (1) The sum is equitably distributed between medicaid fee-
14 for-service physician services and health plans that
15 provide QUEST physician services so that the health
16 plans can increase the payment for these physician
17 services; and

18 (2) The increased moneys, when added to the amount of
19 reimbursement payable under the medicaid fee schedule,
20 shall in no event exceed one hundred per cent of the
21 current medicare fee schedule applicable to Hawaii.



1 SECTION 3. The department of human services shall include
2 in its supplemental budget request for fiscal year 2008-2009 a
3 sum at least equal to the sum appropriated in section 2 in
4 addition to its baseline medicaid request that will allow for
5 increased moneys to be paid out for physician services for
6 medicaid eligible persons, including fee-for-service and QUEST
7 physician services. The department shall report the amount of
8 the baseline medicaid sum and the additional funds to be paid
9 out for physician services to the legislature no later than
10 twenty days prior to the convening of the 2008 regular session.

11 SECTION 4. The department of human services shall report
12 to the legislature no later than twenty days prior to the
13 convening of the 2008 regular session with the amount of funding
14 necessary to:

- 15 (1) Continue the increased payments for physician services
16 up to one hundred per cent of the current medicare fee
17 schedule applicable to Hawaii; and
- 18 (2) Increase payments up to one hundred per cent of the
19 current medicare fee schedule applicable to Hawaii to
20 all medicaid fee-for-service and QUEST providers, if
21 approved.

22 SECTION 5. This Act shall take effect on July 1, 2007.

