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DEPARTMENT OF HUMAN SERVICES  
P.O. Box 339  
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March 3, 2009

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H. B. 1284 – RELATING TO HEALTH**  
Hearing: Tuesday, March 3, 2009 3:00 p.m.  
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to appropriate to the Department of Human Services, State general funds in the amount of \$8,000,000 for each year of the 2009-2011 fiscal biennium to increase the payments for physician services for Medicaid-eligible persons, including fee-for-service and for health plans that provide QUEST physician services, not to exceed 100 percent of the Medicare fee schedule for Hawaii. This bill also requires the Department of Human Services to include a supplemental budget request for fiscal year 2010-2011 in a sum equal to the \$8,000,000 appropriation to be included in its baseline budget. Finally, the bill requires several reports to the 2010 Legislature.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this bill. While this measure has merit, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Although Hawaii Medicaid reimbursement rates are comparable to rates nationally, Medicaid rates are typically among the lowest compared to private insurers and even Medicare. Access has been shown to be associated with reimbursement, and we greatly appreciate those physicians who are committed to the Medicaid recipients in their communities and are accessible to them.

Act 284, SLH 2007, similarly appropriated \$8 million in general funds for a physician reimbursement increase. These funds now provide the physicians in the Medicaid Fee-For-Service program and Medicaid QUEST and Medicaid QUEST Expanded Access managed care health plans with reimbursements of approximately 79.5% of the 2006 Medicare rates. This funding expires July 1, 2009 when the rates will otherwise revert to the rates before this increase.

The amount of the rate increase is based actuarially on projected utilization. If in subsequent years the enrollment and utilization increase, the same \$8 million may not necessarily result in maintenance of the existing rates.

DHS notes that this bill appropriates the funds to be equitably distributed between physician services in both the Medicaid fee-for-service and QUEST programs. As about 39,000 aged, blind and disabled Medicaid recipients have transitioned from the Medicaid Fee-For-Service program to the new QUEST Expanded Access (QExA) program, if this bill moves forward, it should be amended to clearly include the QExA plans in the proposed increased rates.

Thank you for this opportunity to testify.



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**OCCUPATIONAL THERAPY ASSOCIATION OF HAWAII**

1360 S. Beretania St., Suite 301, Honolulu, Hawaii 96814

**Testimony by:**  
**Virginia Tully, OTR, MBA**  
**HB1284, Health**  
**House FIN Hearing – Tues. March 3, 2009**  
**Room 308– 4:00 pm – Agenda #7**

**Position: Support Intent, With Recommendations**

Chair Oshiro, and Members of the House FIN Committee:

I am Virginia Tully, OTR, and past-president of the Occupational Therapy Association of Hawaii, (OTAH), which represents 507 occupational therapists (OTs) licensed in Hawaii. OT's work in many settings throughout the State, including hospitals, schools, and prisons, to private facilities and community programs. We work with very young children, ages 0-3, as well as school aged children, adults, and the elderly, seeking to restore or develop social-emotional, physical, cognitive, communication and adaptive behavior challenges.

Through understanding of the effect of the consumer's disability, illness and impairment, the occupational therapist develops a program that will promote development and establish needed skills to be independent in daily living activities. Daily living skills include self-care such a bathing, dressing, and skills required for learning, work or social interaction. Often times, OTs must design/fabricate special devices or suggest modification to the home environment.

We support and appreciate the intent of this measure. Currently, many private clinics do not accept Medicaid clients because of the low reimbursement. These consumers are then referred to another clinic, and must wait for approval for medical care. Access to care is compromised, which may escalate the intensity of care needed and preventable use of the emergency room, which is costly. Reimbursement to providers at 100% of Medicare may encourage more providers to accept Medicaid clients.

**Recommendations:**

In addition to physician care, Medicaid clients often need services provided by other health care professionals such as physical and occupational therapy services as well as speech therapy services. As such we recommend that these services also be included in this measure.

Thank you for the opportunity to submit testimony. I can be reached at 544-3336 if further information is needed.