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TO THE HOUSE COMMITTEES ON HEALTH
AND HUMAN SERVICES

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Friday, February 6, 2009
9:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 700 – RELATING TO NONGOVERNMENT
HEALTH PLAN PAYMENTS TO CRITICAL ACCESS HOSPITALS AND FEDERALLY
QUALIFIED HEALTH CENTERS.**

TO THE HONORABLE RYAN I. YAMANE AND JOHN M. MIZUNO, CHAIRS, AND
MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department supports this bill.

We have heard that many hospitals are losing money. This is a perilous situation
for the public, particularly as regards critical access hospitals and federally qualified
health centers which provide necessary care to the community. Requiring commercial
health plans to provide a minimum floor of funding may help to ensure that these
facilities can keep operating and provide services.

We thank these Committees for the opportunity to present testimony on this
matter and ask for your favorable consideration.

LĀNA'Ī WOMEN'S CENTER DBA LĀNA'Ī COMMUNITY HEALTH CENTER

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House HUS/HLT hearing
Thursday, February 6, 2009
9:00am
Conference room 329

To: **The House Committee on Health**
The Hon. Ryan I. Yamane, Chair
The Hon. Scott Y. Nishimoto, Vice Chair

**Testimony in Support of House Bill 700
Relating to Health**

**Submitted by Diana V. Shaw, PhD, MPH, MBA, FACMPE, Executive Director
February 6, 2009, 9:00 a.m. agenda, Room 329**

The Lāna'ī Women's Center dba Lāna'ī Community Health Center asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Our Center is recognized by the federal government as an essential community provider and is guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

The enhanced rates that we receive are provided both so that we won't have to use federal grants to subsidize the cost of public insurance programs but also in recognition of the additional services that are needed by and provided to our patients. These include offering care with linguistic and cultural competence; ensuring transportation is available; and providing extensive care management that includes outreach, follow-up, referral arrangements, and application assistance. Our community health center also provides medical, behavioral health, and dental care which increases the likelihood that patients will get all the primary care they need in a timely and appropriate way. The integration of behavioral health with medical care is particularly clinically and financially effective. The community of Lāna'ī is very isolated and is a medically underserved population — as such our unit costs are higher than other areas where isolation is not an issue.

Our services create savings in the health care systems due to the model of care that we provide — comprehensive and timely primary clinical and management services which greatly reduce duplicative diagnostic testing, specialty referrals, ER use, and hospitalization.

I strongly urge your thoughtful consideration and appreciate the opportunity to provide this testimony.

E Ola nō Lāna'ī

LIFE, HEALTH, and WELL-BEING FOR LĀNA'Ī



Committee on Health
Representative Ryan I. Yamane, Chair
Representative Scott Y. Nishimoto, Vice Chair

Committee on Human Services
Representative John M. Mizuno, Chair
Representative Tom Brower, Vice Chair

Friday, February 6, 2009
9:00 a.m.
Conference Room 329
Hawaii State Capitol

HB 700 - Relating to Nongovernmental Health Plan Payments to Critical Access Hospitals and federally Qualified Health Centers Requires health plans other than government payers, mutual and fraternal benefit societies, and health maintenance organizations to pay: critical access hospitals no less than 101% of costs for services; and 2) federally qualified health centers no less than their respective prospective payment system rates

On behalf of the West Hawaii Region of HHSC, thank you for the opportunity to provide testimony in strong support of HB 700.

This bill requires mutual and fraternal benefit societies, health maintenance organizations, and health plans other than government payers to pay: 1) critical access hospitals (CAHs) no less than 101 % of cost for services; and 2) federally qualified health centers (FQHCs) no less than their respective prospective payment system rates.

This bill will enable CAHs and FQHCs to continue to provide the current levels of services to patients in rural communities, whose access to limited hospital services and outpatient services is adversely affected by the decreasing amounts of reimbursements from commercial health plans.

Currently, government subsidizes the cost of providing healthcare services to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers by CAHs and FQHCs, because health plans in Hawaii do not pay the full cost of care provided to plan beneficiaries.

Hawaii's ability to provide safety net services will significantly degrade, if commercial health plans continue to pay amounts that do not cover the costs for providing care, unless the state provides increased subsidies to CAHs and FQHCs to cover operating losses. Financial and social burdens will fall increasingly on agencies of the state and county governments because of the health and economic impact of declining and degrading healthcare services if government

KONA COMMUNITY HOSPITAL
Hawaii Health Systems Corporation
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would not continue to subsidize costs of healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers.

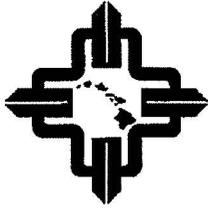
It is estimated that the enactment of this legislation would provide approximately \$5 million annually in increased reimbursements to CAHs and over \$47 million over eight years assuming same service levels and 5% inflation per year. For FQHCs, the annual increase in reimbursement would be \$7.3 million, and almost \$68 million over eight years.

Your support of this bill is greatly needed and appreciated.

Respectfully submitted,



Earl Greenia
Chief Executive Officer
West Hawaii Region - Hawaii Health Systems Corporation
Kona Community Hospital and Kohala Hospital



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

The House of Representatives

Committee on Health
Representative Ryan I. Yamane, Chair
Representative Scott Y. Nishimoto, Vice Chair

Committee on Human Services
Representative John M. Mizuno, Chair
Representative Tom Brower, Vice Chair

Friday, February 6, 2009, 9:00 a.m.
Conference Room #329
Hawaii State Capitol

**Testimony Supporting House Bill No 700 Relating to
Nongovernmental Health Plan Payments to Critical Access
Hospitals and federally Qualified Health Centers**

Requires health plans other than government payers, mutual and fraternal benefit societies, and health maintenance organizations to pay: critical access hospitals no less than 101% of costs for services; and 2) federally qualified health centers no less than their respective prospective payment system rates

Thomas M. Driskill, Jr.
President and Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of this bill.

The purpose of this bill is to require mutual and internal benefit societies, and health maintenance organizations, and health plans other than government payers to pay: (1) critical access hospitals no less than 101 % of costs for services; and (2) federally qualified health centers no less than their respective prospective payment system rates.

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www.hhsc.org <<http://www.hhsc.org>>

Currently, government is subsidizing the costs for healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers by critical access hospitals (CAHs) and federally qualified health centers (FQHCs), because health plans in Hawaii are not paying for the full costs of care provided to plan beneficiaries.

It is estimated that the enactment of this legislation could provide for approximately \$5 million annually in increased reimbursements to critical access hospitals and an aggregate \$47,475,544 in increased reimbursements over eight years to critical access hospitals, assuming same service levels and 5% inflation per year. It is estimated that the enactment of this legislation could provide for approximately \$7.3 million in increased reimbursements to federally qualified health centers, and an aggregate \$67,708,495 in increased reimbursements over eight years to federally qualified health centers, assuming same service levels and 5% inflation per year.

All hospitals are adversely affected by declining reimbursement trends, but rural facilities are especially disadvantaged, due to the low volume of patients and high expense of providing care in remote areas. Federally qualified health centers (health centers) are especially disadvantaged due to low payments from commercial health plans, even though enhanced payments from government programs (Medicare and Medicaid) tend to cover operating costs. Recognizing the financial challenges faced by rural hospitals, the federal government passed 42 United States Code 1395i-4, which established the Medicare rural hospital flexibility program, a national program designed to assist states and rural communities in improving access to essential health care services through the establishment of limited service hospitals and rural health networks. The program creates the critical access hospital as a limited service hospital eligible for Medicare certification and reimbursement, and supports the development of rural health networks consisting of critical access hospitals, acute general hospitals, and other health providers.

Congress also established federally qualified health centers as a category of provider that specializes in comprehensive primary health care for underserved communities. Among mandated provisions for federally qualified health centers are cost-related reimbursement for Medicaid and Medicare services.

The U.S. Department of Health and Human Services Medicare and Medicaid Services pay critical access hospitals on the basis of one hundred and one per cent of costs for acute care inpatient and outpatient services. The State of Hawaii Department of Human Services calculates payments to critical access hospitals on a cost basis for acute inpatient and long term care services to beneficiaries of the Medicaid program.

This bill will enable critical access hospitals and federally qualified health centers to continue to provide the current levels of services to patients in rural communities, whose access to limited hospital services and outpatient services is adversely affected by the decreasing amounts of reimbursements from commercial health plans.

The state's ability to provide safety net services will significantly degrade, if commercial health plans continue to refuse to pay amounts that cover the costs for providing care, unless the state continues to provide special subsidies to CAHs and FQHCs to cover operating losses of CAHs and FQHCs from providing services to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers. Financial and social burdens will fall increasingly on agencies of the state and county governments because of the health and economic impact of declining and degrading healthcare services if government would not continue to subsidize costs of healthcare services provided to beneficiaries of mutual and fraternal benefit societies, and health maintenance organizations, and health plans other than government payers

We respectfully ask that the committee support this initiative by passing this bill forward for further consideration.



Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
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To: **The House Committee on Health**
The Hon. Ryan I. Yamane, Chair
The Hon. Scott Y. Nishimoto, Vice Chair

Testimony in Support of House Bill 700
Relating to Nongovernment Health Plan Payments to
Critical Access Hospitals and Federally Qualified Health Centers
Submitted by Beth Giesting, CEO
February 6, 2009, 9:00 a.m. agenda, Room 329

The Hawaii Primary Care Association asks your support for this measure, which would provide appropriate compensation for Hawaii's health care safety net. Both Critical Access Hospitals and Federally Qualified Health Centers (FQHCs) are recognized by the federal government as essential community providers and are guaranteed enhanced reimbursement rates from public insurance (Medicare and Medicaid) to cover costs.

Speaking for FQHCs, these enhanced rates are provided both so that they won't have to use federal grants to subsidize the cost of public insurance programs but also in recognition of the additional services that are needed by and provided to FQHC patients. These include offering care with linguistic and cultural competence; ensuring transportation is available; and providing extensive care management that includes outreach, follow-up, referral arrangements, and application assistance. FQHCs also provide medical, behavioral health, and dental care all on the same site which increases the likelihood that patients will get all the primary care they need in a timely and appropriate way. The integration of behavioral health with medical care is particularly clinically and financially effective. Some FQHCs also serve geographically isolated places where it isn't economically feasible for other care providers to practice and this may result in higher unit costs as well.

We estimate that FQHCs earn \$5-7 million less per year from private insurers than it costs to deliver care to patients covered by these plans. At the same time the FQHCs saved more than \$46 million¹ for the plans in the care they delivered to privately insured patients. These savings are due to the FQHC model of care that provides comprehensive and timely primary clinical and management services which greatly reduce duplicative diagnostic testing, specialty referrals, ER use, and hospitalization.

We believe this measure deserves your thoughtful consideration and appreciate the opportunity to provide this testimony.

¹ A study prepared by the Robert Graham Center using Medical Expenditure Panel Survey data for 2007 shows that FQHCs save an average of \$1,914 per privately insured patient per year when compared to the private practice system. $\$1,914 \times 24,364$ privately insured patients served by FQHCs in 2007 = \$46.6 million.

nishimoto2-Bryce

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2009 1:57 PM
To: HLTtestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for HB700 on 2/6/2009 9:00:00 AM

Testimony for HLT-HUS 2/6/2009 9:00:00 AM HB700

Conference room: 329
Testifier position: support
Testifier will be present: No
Submitted by: Jerry Walker
Organization: West Kauai Medical Center / KVMH
Address: 4643 Waimea Canyon Drive Waimea, HI 96796
Phone: 808-338-9431
E-mail: jwalker1@hhsc.org
Submitted on: 2/5/2009

Comments:

The Kauai Region which includes the West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, Kalaheo; Mahelona Medical Center / SMMH, strongly supports HB700. This bill is to require mutual and internal benefit societies, and health maintenance organizations, and health plans other than government payers to pay: (1) critical access hospitals no less than 101% of costs for services; and (2) federally qualified health centers no less than their respective prospective payment system rates. We strongly support passage of this bill which would give the Kauai Region greater financial stability.