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TO THE HOUSE COMMITTEES ON HEALTH AND HUMAN SERVICES

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

TUESDAY, MARCH 17, 2009
10:45 a.m.

TESTIMONY ON SENATE BILL NO. 1140, S.D. 2 – RELATING TO HEALTH CARE.

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.

Hospitals in Hawaii have been losing money over the past several years, particularly in rural areas. We have had numerous complaints that the reimbursements to doctors and hospitals do not recover their costs. Kahuku Hospital almost closed and the State Hospital has had to request emergency appropriations. 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 reimbursement level is one step to help ensure that these facilities can keep operating and provide services. This bill is limited to critical access facilities which are particularly important to our communities.

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



Hawai'i Primary Care Association

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

The House Committee on Human Services
The Hon. John M. Mizuno, Chair
The Hon. Tom Brower, Vice Chair

Testimony in Support of Senate Bill 1140, SD 2
Relating to Health Care
Submitted by Beth Giesting, CEO
March 17, 2009, 10:45 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 that 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 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.

IN 2007, 24% of FQHC patients – 25,000 individuals – had private insurance. Neighbor Island FQHCs tend to have higher percentages of privately insured patients because they are more frequently the only providers in the communities they care for. We estimate that FQHCs earn about \$7 million less per year from private insurers than it costs to deliver care to their patients. At the same time the FQHCs saved more than \$46 million¹ for the plans because of 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 x 24,364 privately insured patients served by FQHCs in 2007 = \$46.6 million.