

NEIL ABERCROMBIE
GOVERNOR



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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P.O. Box 339
Honolulu, Hawaii 96809-0339

March 2, 2011

MEMORANDUM

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

FROM: Patricia McManaman, Interim Director

SUBJECT: **H.B. 1065 – MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE
PAYMENTS**

Hearing: Wednesday, March 2, 2011, 2:00 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to make an emergency appropriation from the general revenues of the State of Hawaii for fiscal year 2010-2011 to address the budget shortfall in for the health care payments program (HMS 401) in the Department of Human Services.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill.

As a result of the economic downturn, eligibility for the State's health care insurance programs has increased by 10 to 12 per cent yearly for the current and previous two years. Last 2009-2010 fiscal year, the Department deferred two months of health plan capitation payments to the current 2010-2011 fiscal year. The budget

for the current fiscal year did not provide full funding for current year expenditures and expenditures deferred from the previous year.

The purpose of this Act is to appropriate \$57,500,000 in general funds and \$96,400,000 in federal funds for an emergency appropriation for fiscal year 2010-2011 for health care payments (HMS 401) to address a funding shortfall in the Medicaid program.

The expeditious approval of this emergency appropriation is critical for the Department of Human Services to ensure continued timely payments to contracted health plans and will ensure that there will be no disruption in the provision of medically necessary services to program recipients.

In addition, the Hawaii federal medical assistance percentage which sets the federal match for Medicaid funds will decrease from 62.63 per cent on June 30, 2011, to 51.79 per cent on July 1, 2011. If the \$57,500,000 is not appropriated for the current 2010-2011 fiscal year, not only will payments to the health plans have to be deferred to the next fiscal year but the State will also lose \$6,000,000 in federal funding because of the reduction in the federal medical assistance percentage on July 1, 2011. The \$6,000,000 will need to be paid with State general funds.

Thank you for this opportunity to provide testimony.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

March 2, 2011

The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

Re: HB 1065 – Making an Emergency Appropriation to the Department of Human Services for Health Care Payments

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1065 which would appropriate State and matching federal funds to address a shortfall in the Medicaid program for FY 2010-2011. HMSA supports this measure.

During the last legislative session, with an extremely large budgetary shortfall looming, an emergency appropriation was passed to ensure that individuals enrolled in QUEST programs were able to continue to receive vital services. That shortfall caused great concern within the health care community and HMSA appreciates the efforts of the Legislature to fund health care services to the neediest of populations.

Unfortunately, with the State still facing budget deficits and the enrollment of QUEST plans continuing to expand, we are again here in support of a measure which will provide funding to prevent another shortfall. We acknowledge that the State is being forced to make extremely difficult decisions when it comes to funding vital services to the residents of Hawaii, and we are thankful for your continued support.

We would respectfully request that the Committee see fit to pass HB 1065. Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President
Government Relations



AlohaCare

For a healthy Hawaii.

March 2, 2011
2:00pm
Conference Room 308

To: The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

From: Paula Arcena, Director of Public Policy
Robert Toyofuku, Government Affairs

Re: HB1065 Making an Emergency Appropriation to the Department of Human Services for Health Care Payments

Thank you for the opportunity to testify on HB1065 which will authorize an emergency appropriation of \$57.5 million in general funds and \$96.4 million in federal funds for the 2010-2011 fiscal year to the Department of Human Services for Health Care Payments.

AlohaCare **supports** HB1065.

An emergency appropriation for health care payments will enable the Department of Human Services to make timely payments to its contracted health plans, including AlohaCare, that administer the Medicaid program. Additionally, the appropriation will enable DHS to draw down federal matching funds before they decrease from 62.63% on June 30, 2011 to 51.79% on July 1, 2011.

Approval of this measure will help to avert the near crisis that occurred in 2010 when the DHS announced it planned to delay four months of payments to its contracted health plans as a way to avoid a shortfall during that year. The lesson learned from the experience is that delaying payments to contracted health plans puts Hawaii's health care industry at risk and should be avoided in the future. Such a delay would have significantly reduced cash flow in Hawaii's health care industry and triggered a crisis because providers depend upon payments from Hawaii's Medicaid health plans to underwrite their operations and provide much needed care. The magnitude of the crisis was much reduced when DHS later reduced its plan to two months of payments and health plans maintained payments to providers with little or no delay.

AlohaCare is a non-profit, Hawaii based health plan founded in 1994 by Hawaii's community health centers to serve low-income families and medically vulnerable members of our community through government sponsored health insurance programs. We serve beneficiaries of Medicaid and Medicare on all islands.

AlohaCare has been contracted by the Hawaii Department of Human Services since the QUEST program started in 1994 to provide insurance coverage for Medicaid eligible beneficiaries through the QUEST program. We serve approximately 75,000 QUEST enrollees statewide.

Thank you for this opportunity to testify.



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Wednesday, March 2, 2011

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

From: 'Ohana Health Plan

Re: House Bill 1065-Making an Emergency Appropriation to the Department of
Human Services for Health Care Payments

Hearing: Wednesday, March 2, 2011, 2:00 p.m.
Hawai'i State Capitol, Room 308

Since February 2009, 'Ohana Health Plan has provided services under the Hawai'i QUEST Expanded Access (QExA) program. 'Ohana is managed by a local team of experienced health care professionals who embrace cultural diversity, advocate preventative care and facilitate communications between members and providers. Our philosophy is to place members and their families at the center of the health care continuum.

'Ohana Health Plan is offered by WellCare Health Insurance of Arizona, Inc. WellCare provides managed care services exclusively for government-sponsored health care programs serving approximately 2.3 million Medicaid and Medicare members nationwide. 'Ohana has utilized WellCare's national experience to develop an 'Ohana care model that addresses local members' healthcare and health coordination needs.

We appreciate this opportunity to testify in strong support of House Bill 1065-Making an Emergency Appropriation to the Department of Human Services for Health Care Payments.

'Ohana Health Plan is one of the five contract health care plans under the State's QUEST and QUEST Expanded Access (QExA) programs. We operate largely with the support of government funding from the State of Hawai'i, and therefore would have deep concerns about any significant payment deferrals by the DHS, as these delays may impact our ability to pay our contracted providers in a timely manner and could cause a disruption in services to our members, which are low-income, aged, blind and disabled residents of our State. As a contracted provider of services for the State of Hawai'i, we take our federally mandated responsibility to make covered services available and accessible through a sufficient delivery network very seriously.

We greatly appreciate this proactive measure taken upon the Abercrombie-Schatz Administration which seeks to take a proactive approach to ensure the continued payments for the Medicaid program without any significant delays to the contracted plans.

Thank you for the opportunity to provide testimony in strong support of House Bill 1065-Making an Emergency Appropriation to the Department of Human Services for Health Care Payments.