

NEIL ABERCROMBIE  
GOVERNOR



PATRICIA McMANAMAN  
DIRECTOR

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DEPUTY DIRECTOR

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

March 21, 2011

MEMORANDUM

TO: Honorable John M. Mizuno, Chair  
House Committee on Human Services  
  
Honorable Ryan I Yamane, Chair  
House Committee on Health

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1292 – MAKING AN EMERGENCY APPROPRIATION TO THE  
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE  
PAYMENTS**

Hearing: Monday, March 21, 2011, 9:00 a.m.  
Conference Room 329, 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 21, 2011

The Honorable John M. Mizuno, Chair  
The Honorable Ryan I. Yamane, Chair  
House Committees on Human Services and Health

**Re: SB 1292 – Making an Emergency Appropriation to the Department of Human Services for Health Care Payments**

Dear Chair Mizuno, Chair Yamane, and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 1292 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 SB 1292. Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'JDiesman', written over a horizontal line.

Jennifer Diesman  
Vice President  
Government Relations



## HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

Monday, March 21, 2011, 9:00 a.m., Conference Room 329

To: COMMITTEE ON HUMAN SERVICES

Rep. John M. Mizuno, Chair

Rep. Jo Jordan, Vice Chair

COMMITTEE ON HEALTH

Rep. Ryan I. Yamane, Chair

Rep. Dee Morikawa, Vice Chair

From: Hawaii Medical Association

Dr. Morris Mitsunaga, MD, President

Linda Rasmussen, MD, Legislative Co-Chair

Dr. Joseph Zobian, MD, Legislative Co-Chair

Dr. Christopher Flanders, DO, Executive Director

Lauren Zirbel, Community and Government Relations

Re: SB 1292 MAKING AN EMERGENCY APPROPRIATION TO THE  
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE PAYMENTS

In Support

Chairs & Committee Members:

Hawaii Medical Association supports this measure.

With Medicaid reimbursement only covering about one-half the cost of providing a medical service, it is difficult to imagine how bad access to care will be if an appropriation to fill the Medicaid shortfall does not succeed.

Hawaii is hemorrhaging doctors because of high liability premiums and some of the lowest reimbursements in the nation. We are currently 644 physicians short according to a recent workforce assessment. **The primary reason that Physicians are unable to practice on the neighbor islands is because of the higher concentration of Quest patients. One of our Physicians who is a Cardiologist was unable to qualify for a small business loan to practice on the Big Island because the bank did not recognize practicing medicine there as a viable business. She was forced to commute to Oahu to practice. Physicians who see Medicaid patients will be unable to survive in Hawaii if reimbursements are lowered or payment becomes even more delayed than it already is.**

### OFFICERS

PRESIDENT - MORRIS MITSUNAGA, MD PRESIDENT-ELECT - ROGER KIMURA, MD  
SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - DR. ROBERT C. MARVIT, MD TREASURER  
- STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO

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.

This funding will 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 very much for hearing this bill.

Mahalo for the opportunity to provide testimony.



HOUSE COMMITTEE ON HUMAN SERVICES  
Rep. John M. Mizuno, Chair

HOUSE COMMITTEE ON HEALTH  
Rep. Ryan I. Yamane, Chair

Conference Room 329  
Mar. 21, 2011 at 9:00 a.m.

**Supporting SB 1292.**

The Healthcare Association of Hawaii (HAH) advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in support of SB 1292, which makes an emergency appropriation from the general revenues of the State of Hawaii for fiscal year 2010-2011 to address the budget shortfall in the health care payments program (HMS 401) in the Department of Human Services.

The appropriation will be used to match federal Medicaid funds before the federal matching percentage declines. As of July 1, 2011, Hawaii's Federal Medical Assistance Percentages (FMAP) will revert downward to its pre-American Recovery and Reinvestment Act (ARRA) level of 51.79%. In order for the State to take advantage of the higher federal matching rate of 62.63%, an appropriation would need to be made prior to this date. Furthermore, as of October 1, 2011, Hawaii's FMAP will decline further, to 50.48%, requiring the State to use even more general funds to address the Medicaid shortfall. The sooner the State makes an appropriation to match federal Medicaid funds, the more federal money will be drawn down for each State dollar.

The QUEST program currently covers over 266,000 beneficiaries, playing a vital role in our state's health care system. Any delay in payments to health plans would have a domino effect on health care providers in the form of increased accounts receivables and bad debt, further weakening their financial condition. Providers depend on timely, accurate payments to fulfill their financial obligations to employees, contractors and suppliers. This bill will help strengthen the financial foundation of Hawaii's health care system.

For the foregoing reasons, the Healthcare Association supports SB 1292.



# AlohaCare

For a healthy Hawaii.

March 21, 2011  
9:00 am  
Conference Room 329

To: The Honorable Rep. John M. Mizuno, Chair  
The Honorable Rep. Jo Jordan, Vice Chair  
House Committee on Human Services

The Honorable Rep. Ryan I. Yamane, Chair  
The Honorable Rep. Dee Morikawa, Vice Chair  
House Committee on Health

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

Re: SB1292 Making an Emergency Appropriation to the Department of Human Services for Health Care Payments

Thank you for the opportunity to testify in **support** of SB1292 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.

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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**From:** Okubo, Tracy [Tracy.Okubo@wellcare.com]  
**Sent:** Wednesday, March 16, 2011 3:16 PM  
**To:** HUSTestimony  
**Subject:** Ohana Health Plan Testimony in Support for SB 1292-Making an Appropriation to the Department of Human Services for Health Care Payments  
**Attachments:** OHP Testimony\_SB1292\_HUS-HLT\_03-21-2011\_FINAL.pdf

Testimony is attached. Mahalo

Tracy H. Okubo

'Ohana Health Plan  
Manager, Government Affairs  
94-450 Mokuola Street, Suite 106  
Waipahu, HI 96797  
Office: 808.675.7367  
Cell: 808.497.2918  
Fax: 808.675.7398  
[tracy.okubo@wellcare.com](mailto:tracy.okubo@wellcare.com)

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94-450 Mokuola Street, Suite 106, Waipahu, HI 96767  
808.675.7300 | www.ohanahealthplan.com

Monday, March 21, 2011

To: The Honorable John M. Mizuno  
Chair, House Committee on Human Services

The Honorable Ryan I. Yamane  
Chair, House Committee on Health

From: 'Ohana Health Plan

Re: Senate Bill 1292-Making an Emergency Appropriation to the Department  
of Human Services for Health Care Payments

Hearing: Monday, March 21, 2011, 9:00 a.m.  
Hawai'i State Capitol, Room 329

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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 is able to take the national experience in providing an 'Ohana care model that addresses local members' healthcare and health coordination needs.

We appreciate this opportunity to testify in strong support of Senate Bill 1292-Making an Emergency Appropriation to the Department of Human Services of 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.

While the State has not announced any delays in payment, we greatly appreciate the efforts of the Abercrombie-Schatz Administration who introduced this measure in order to take a proactive approach to ensure the continued payments for the Medicaid program without any significant delays to the contracted plans, and am grateful to the Legislature for moving this measure as expeditiously as possible.

Thank you for this opportunity to provide testimony in strong support of Senate Bill 1292- Making an Emergency Appropriation to the Department of Human Services for Health Care Payments.

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**Sent:** Thursday, March 17, 2011 9:27 AM  
**To:** HUS testimony  
**Cc:** [smorishige@helpinghandshawaii.org](mailto:smorishige@helpinghandshawaii.org)  
**Subject:** Testimony for SB1292 on 3/21/2011 9:00:00 AM  
**Attachments:** Microsoft Word - SB1292 - Written Testimony of Helping Hands Hawaii \_for 3-21-11\_\_House Human Services & House Health\_.pdf

Testimony for HUS/HLT 3/21/2011 9:00:00 AM SB1292

Conference room: 329

Testifier position: support

Testifier will be present: No

Submitted by: Scott Morishige

Organization: Helping Hands Hawaii

Address:

Phone:

E-mail: [smorishige@helpinghandshawaii.org](mailto:smorishige@helpinghandshawaii.org) Submitted on: 3/17/2011

Comments:

# Helping Hands Hawai'i

Monday, March 21, 2011  
9:00 a.m.  
Conference Room 329

To: Rep. John Mizuno, Chair  
Rep. Jo Jordan, Vice Chair  
House Committee on Human Services

Rep. Ryan I. Yamane, Chair  
Rep. Dee Morikawa, Vice Chair  
House Committee on Health

From: Helping Hands Hawaii – Written Testimony Only

Re: **SB1292, MAKING AN EMERGENCY APPROPRIATION TO THE  
DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE PAYMENTS.**

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We are submitting testimony in regards to SB1292, MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES FOR HEALTH CARE PAYMENTS. We are in *strong support* of the section of this bill, which requests an emergency appropriation of \$57.5 million in State general funds, and \$96.4 million in Federal funds for healthcare payments to cover a projected shortfall during the remainder of this current Fiscal Year for the Department of Human Services, Med-Quest Division.

Helping Hands Hawaii is a 501(c)(3) non-profit social service agency, which was incorporated in 1974. HHH administers a variety of Behavioral Health and Human Services programs, which assist over 37,000 individuals and households each year.

HHH primarily provides assistance to individuals and families who are low-income and who receive government benefits through DHS, including medical coverage. More specifically, our Behavioral Health Division provides case management and other behavioral health services primarily for individuals who have been diagnosed with severe and persistent mental illness.

Without this emergency appropriation, Med-Quest Division will be unable to make timely payments to contracted health plans, which may potentially lead to disruptions in necessary medical services for low-income individuals receiving State medical coverage, such as the clients whom we serve.

Once again, HHH strongly supports SB1292, which requests an emergency appropriation of both State general funds and Federal funds for the remainder of this current Fiscal Year. We strongly believe that this emergency appropriation is needed to meet a critical need in our community for the clients that we serve.

Thank you for the opportunity to testify.