

HB594,HD2

Measure Title: RELATING TO HEALTH.

Report Title: Disproportionate Share Hospital Funds; Medicaid; Appropriation

Description: Appropriates an unspecified amount of funds to the Department of Human Services to match the federal disproportionate share hospital allowance allocated to the State. Effective July 1, 2030. (HB594 HD2) (\$)

Companion: SB785

Package: None

Current Referral: HMS, WAM

Introducer(s): YAMANE, AQUINO, CULLEN, M. LEE, MANAHAN, MCKELVEY, Chong, Tsuji, Yamashita

NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR
PANKAJ BHANOT
DEPUTY DIRECTOR

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

March 17, 2011

MEMORANDUM

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Humans Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 594, H.D. 2 - RELATING TO HEALTH**

Hearing: Thursday, March 17, 2011; 1:45 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of H.B. 594, H.D. 2, is to appropriate general funds to the Department of Human Services to match the federal disproportionate share hospital allowance allocated to the State.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) recognizes and appreciates the important role the hospitals play in serving Medicaid recipients and as a safety-net provided to the uninsured and underinsured. DHS also recognizes its current budget shortfall situation.

The federal disproportionate share hospital (DSH) funding can be accessed and paid to the private hospitals with or without a new general fund appropriation. As is the case this year, no general fund expenditure was necessary because certified public expenditures were used as the required State share.

DHS submitted to the federal Centers for Medicare and Medicaid Services, a state plan amendment that has been approved, to cover the period July 1, 2009 through June 30, 2010. The \$10,000,000 disproportionate share hospital (DSH) payment for this period was paid to the hospitals in February 2011.

The next DSH period would be July 1, 2010 through June 30, 2011. The applicable Federal medical assistance percentage (FMAP) is the percentage in effect at the time the federal funding is accessed. For the next period, the applicable FMAP would be expected to be 50.48%. This means that a general fund appropriation of \$9,809,826 or an equivalent amount of certified public expenditures would be needed as the State share for \$10,000,000 of DSH.

Thank you for the opportunity to provide comments on this bill.



**Testimony to the Senate Committee on Human Services
March 17, 2011 at 1:45 p.m.
Conference Room 016, State Capitol**

RE: HOUSE BILL NO. 594 HD2 RELATING TO HEALTH

Chair Chun Oakland, Vice Chair Ihara, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports House Bill 594 HD2 relating to Health.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber commends the Legislature for playing an active role in passing legislation that appropriates money to match federal funds in the past couple of sessions. Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state's economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii's businesses. Also, Hawaii's healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements to the quality of our health care system. They include legislation that will improve payments to health care providers of essential health care services and increase long term care capacity and access statewide. Appropriating funds to match the federal funding for medicaid is the first step in the right direction to ameliorate the current state of health care in Hawaii.

In light of the above, The Chamber of Commerce of Hawaii supports HB 594 HD1. Thank you for the opportunity to provide testimony.

Testimony of
John M. Kirimitsu
Legal & Government Relations Consultant

Before:
Senate Committee on Human Services
The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair

March 17, 2011
1:45 pm
Conference Room 016

Re: HB 594, HD2 Relating to Health

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 594, HD2 that would appropriate state funds to match federal funding for the disproportionate share hospital allowance.

Kaiser Permanente Hawaii supports this bill.

The cost of delivering health care in Hawaii and across the nation continues to mount. Kaiser Hawaii recognizes that a combined state and federal funding is imperative to help offset the increasing costs of providing continuing health care in Hawaii's communities. In an effort to ensure that health care payments are sufficient to cover the actual costs of care provided to Hawaii's most vulnerable Medicaid population, Kaiser Hawaii supports this measure to appropriate the required state funds necessary to match the federal Medicaid disproportionate share hospital (DSH) appropriation of \$10,000,000 for Hawaii.

The proposed State appropriation amount of \$9,800,000, or the amount deemed necessary for fiscal year 2011-2012 to match the federal disproportionate share hospital allowance allocated to the State, together with the federal appropriation, will help support funding of quality health care for the State of Hawaii's Medicaid population, and provide much needed assistance in covering the actual costs of the care provided.

Thank you for the opportunity to comment.



THE QUEEN'S MEDICAL CENTER

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Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair
COMMITTEE ON HUMAN SERVICES

March 17, 2011 – 1:45 p.m.
State Capitol, Conference Room 016

In Strong Support of HB 594 HD2, Relating to Health

Chair Chun Oakland, Vice Chair Ihara and Members of the Committee,

My name is Rick Keene, Executive VP and Chief Financial Officer for The Queen's Health Systems. I am testifying for The Queen's Medical Center in strong support of HB 594, HD2 which appropriates State funds to match federal funding of \$10 million for the Disproportionate Share Hospital (DSH) allowance for Medicaid/Quest patients.

Medicaid/Quest is the cornerstone of health care for our most needy population. In fiscal year 2010, The Queen's Medical Center treated 6,124 inpatients and 39,411 outpatients who were covered by Medicaid/Quest. Hawaii's hospitals in particular have been detrimentally affected by the inadequacy of Medicaid/Quest reimbursements and payments, and have annually lost tens of millions of dollars because government reimbursement is far below the cost of providing medical care. In 2008 Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care.

The proposed State funding of \$9,800,000 for fiscal year 2011-2012 combined with the federal appropriation will supplement the reimbursement shortfall for Medicaid/Quest patients. Without state matching funds, the federal funding will be lost. Your support and approval of HB 594 is crucial toward enabling Hawaii's hospitals to continue to serve the needy.

Thank you for the opportunity to testify.



SENATE COMMITTEE ON HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair

Conference Room 016
March 17, 2011,

Supporting HB 594 HD 2.

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. Thank you for this opportunity to testify in support of HB 594 HD 2, which appropriates State funds to match available Federal Disproportionate Share Hospital funds.

The federal government makes DSH payments available to hospitals that serve high numbers of low-income patients. DSH partially pays for care that is not covered by insurance such as Medicare, Medicaid, or private insurance. In 2009, Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care. Federal DSH funds are matched by states who in turn distribute these funds to individual hospitals.

Although Hawaii's hospitals incur losses resulting from care that is provided to patients without insurance, Hawaii does not receive DSH funding on a regular basis. Hawaii temporarily lost DSH funding with the creation of its QUEST program, although, in recent years Hawaii's Congressional Delegation has been able to secure \$10 million per year in appropriations for DSH payments through legislation like the Affordable Care Act. These federal funds may be matched by State funds using the Federal Medical Assistance Percentage (FMAP).

The Healthcare Association would like to recognize that the Legislature passed a bill last year that appropriated State funds to match federal DSH funds. Unfortunately, these funds were not released by the last administration, although federal funds were eventually drawn down through certified losses incurred by Hawaii's public hospitals.

The DSH bill proposed for the 2011 session would appropriate the State match for additional federal DSH funds that are available as of July 1, 2010, or the fourth quarter of Federal fiscal year (FFY) 2010 and the first, second and third quarters of FFY2011. Based on our conversations with the MedQuest Division, the FMAP that is applied to state matching funds are not from the period when they become available, but rather when the funds are matched by the State. Given that the DSH funds are likely to be distributed in FFY2012, the prevailing FMAP would be 50.48%, which would then require \$9,904,000 in state matching funds. Such funds would assist Hawaii hospitals in continuing to provide quality healthcare to our community by reducing their losses from uncompensated care and underpayments from the Medicaid and Medicare programs.

For the foregoing reasons, the Healthcare Association supports HB 594 HD 2.

Mar 16, 2011

Representative John Mizuno
State Capitol, Room 436
415 South Beretania Street
Honolulu, HI 96813

Dear Representative Mizuno,

Thank you for this opportunity to share my thoughts in support of HB 594 HD 1, which appropriates State funds to match available federal DSH funds.

The federal government makes Disproportionate Share Hospital (DSH) payments available to hospitals that serve high numbers of low-income patients. DSH partially pays for care that is not covered by insurance such as Medicare, Medicaid, or private insurance. In 2009, Hawaii's hospitals experienced losses totaling \$114 million in bad debt and charity care, which may be attributed largely to patients who were uninsured and unable to pay for their care. Federal DSH funds are distributed to states, which in turn distribute the funds to the individual hospitals.

Although Hawaii's hospitals incur losses resulting from care that is provided to patients without insurance, Hawaii does not receive DSH funding on a regular basis. Hawaii lost DSH with the creation of its QUEST program under Medicaid. However, in recent years Hawaii's Congressional Delegation has been able to secure appropriations for DSH payments to Hawaii's hospitals, and \$100 million in federal DSH funds have been secured until 2019, or \$10 million per year, through the Affordable Care Act. These federal funds may be matched by State funds using the Federal Medical Assistance Percentage (FMAP).

I would like to thank the Legislature for passing a bill last year that appropriated State funds to match federal DSH funds. Unfortunately, these funds were not released by the last administration.

The DSH bill proposed for the 2011 session would appropriate the State match for additional federal DSH funds that are available as of July 1, 2010 moving forward. The Healthcare Association has had conversations with the MedQuest, and it is believed that the FMAP will be 50.48% when the federal funds are matched, meaning that the State would need to appropriate approximately \$9.8 million, the figure contained in HB 594 HD 1.

For the foregoing reasons, I support HB 594 HD 1.

Sincerely,

Mr. Kevin Roberts
640 Ulukahiki St
Kailua, HI 96734-4454