

NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR
BARBARA A. YAMASHITA
DEPUTY DIRECTOR

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

March 19, 2012

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

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2120, S.D. 1 - RELATING TO HEALTH**

Hearing: Monday, March 19, 2012; 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the bill is to increase the payment for physician services for medicaid-eligible persons, including fee-for-service and QUEST-eligible individuals, and the QUEST expanded care program.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent and understands the importance of adequate payment to physicians in order to maintain access to healthcare services. However, given the fragile state of Hawaii's economy, we are unable to support the appropriation.

Under the Health Care and Education Reconciliation Act of 2010 which amended the Patient Protection and Affordable Care Act, reimbursement to primary care providers for Evaluation and Management services provided to Medicaid recipients is required to increase to 100% of Medicare rates for a two year period beginning January 1, 2013. This increase will be entirely federally funded, and is expected to be approximately \$20 million a year.

The requirement, however, does not apply to and enhanced federal funding is not available for services provided to children and pregnant women covered under the Children's Health Insurance Program (CHIP), any specialist physician services, and any other provider services.

While the increased primary care funding is an excellent opportunity, the impact of end of the period and return to the current reimbursement levels of approximately 60% of the 2006 Medicare rates may be of concern. Please note that since 2006, the Medicare physician reimbursement rates for evaluation and management services have increased only ~4%, while reimbursement for some other services has decreased.

According to the Kaiser Family Foundation, in 2008 (most recent data available), Hawaii's Medicaid reimbursement rate compared to Medicare was 64% for primary care, 86% for obstetric care, and 76% for other physician services, for an all service average of 73%. Also according to the Kaiser Family Foundation, in 2008 (most recent data available), compared to the national Medicaid average, Hawaii Medicaid reimbursement rate was 4% higher for primary care, 3% lower for obstetric care, and 14% higher for other physician services, for an all service reimbursement average which was 4% higher than the national Medicaid average.

In general if physician reimbursements were to increase by 5% DHS would need \$4.9 million in general funds and \$9.8 million if reimbursements increased by 10%. If Medicaid enrollment was to decrease by 5% expenditures would decrease by \$21.4 million in general funds and \$42.8 million if enrollments went down 10%. We urge the Legislature to keep in mind, however, that in 2014 with the implementation of the Affordable Care Act, the Department is expecting an increase in Medicaid enrollees due to eligibility changes. It is projected that we will see an increase of 23,000 recipients with incomes up to 133% of the poverty level with no asset test and an additional 35,000 who will drop their private insurance

and enroll into Medicaid as they would then qualify. An increase in physician fees now, if maintained, will increase significantly with the projected increase of about 58,000 new Medicaid recipients.

Thank you for the opportunity to comment on this bill.



HAWAII MEDICAL ASSOCIATION

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

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

DATE: Monday, March 19, 2012

TIME: 10:00am

PLACE: Conference Room 329

From: Hawaii Medical Association

Dr. Roger Kimura, MD, President

Linda Rasmussen, MD, Legislative Co-Chair

Dr. Joseph Zodian, MD, Legislative Co-Chair

Dr. Christopher Flanders, DO, Executive Director

Lauren Zirbel, Community and Government Relations

Re: SB 2120 RELATING TO HEALTH

In Support

Chairs & Committee Members:

Hawaii Medical Association supports this measure.

The HMA agrees that Medicaid is the cornerstone of health care for the most needy individuals in Hawaii. It is in the public interest to ensure that health care payments made with state funds or controlled by the State are sufficient to cover the actual costs of care. Inadequate reimbursement from Medicaid has compromised access to medical care because Hawaii has a high percentage of independent physicians who have no other means of making ends meet than by ensuring that the payments that they receive cover the cost of the services they provide.

As documented in numerous media reports, the inadequacy of medical care services, especially in specialty-care coverage in rural areas and on the neighbor islands, has reached a critical level. Hawaii's physicians serving Medicaid eligible persons have been adversely affected by the inadequacy of Medicaid reimbursements and as a result there is a severe access to care crisis for the Medicaid population. This measure will go a long way to help serve Hawaii's most needy patients.

OFFICERS

PRESIDENT - ROGER KIMURA, MD, PRESIDENT ELECT - STEVE KEMBLE, MD

IMMEDIATE PAST PRESIDENT – MORRIS MITSUNAGA, MD, SECRETARY - THOMAS KOSASA, MD, TREASURER – WALTON SHIM, MD, EXECUTIVE DIRECTOR – CHRISTOPHER FLANDERS, DO

Due to the shortage of funds currently available HMA is amenable to the proposed changes attached, which were drafted by Med QUEST Director Kenny Fink. These changes relate only to creating parity in reimbursement increases for SCHIP. SCHIP covers pregnant women and children. HMA believe that they should be given the same access to care as other Medicaid recipients.

Thank you for the opportunity to provide this testimony.

THE SENATE

S.B. NO.

2120

TWENTY-SIXTH LEGISLATURE, 2012

S.D. 1

STATE OF HAWAII

A BILL FOR AN ACT

RELATING TO HEALTH.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that medicaid is the cornerstone of health care for the most needy within Hawaii. Furthermore, the legislature has previously recognized that it is in the public interest to ensure that health care payments made with state funds or controlled by the State are sufficient to cover the actual costs of care. However, inadequate payment and reimbursement from medicaid have compromised access to medical care not only for the uninsured and those covered by medicaid but also for individuals who are covered by private employer-based health insurance.

As documented in numerous media reports, the inadequacy of medical care services, especially in specialty-care coverage in rural areas and on the neighbor islands, has reached a critical level. Furthermore, Hawaii's physicians serving medicaideligible persons have been adversely affected by the inadequacy of medicaid reimbursements and payments.

For a two year period beginning January 1, 2013, the Affordable Care Act (ACA) mandates that states reimburse primary care providers at 100% of Medicare rates for primary care services provided to Medicaid recipients. This increased reimbursement will be 100% federally funded. However, under the ACA, reimbursement for primary care services provided to Children's

Health Insurance Program (CHIP) recipients, namely children and pregnant women, will not be increased.

The purpose of this Act is to increase the payment for primary care physician services for provided to children and pregnant women covered under CHIP to be equal to such reimbursement provided to Medicaid recipients, Medicaid-eligible persons, including fee-for-service and QUEST-eligible individuals, and the QUEST expanded care, and State Children's Health Insurance Program (SCHIP).

Comment [1]:
klink 3/12/12 4:09 PM
Note that reimbursement for services provided to non-pregnant COFA adults will not be increased.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ — 2,800,000 or so much thereof as may be necessary for fiscal year 2012-2013 to increase payments for primary care services provided by primary care physician services for the care of Medicaid-eligible persons children and pregnant women who are enrolled in the Children's Health Insurance Program, including fee-for-service, QUEST physician services, and the QUEST expanded care, and SCHIP program.

The sum appropriated shall be expended by the department of human services for the purposes of this Act; provided that:

(1) The sum is equitably distributed between among the fee-for-service, QUEST and QUEST Expanded Access Medicaid fee-for-service physician services and health plans based on enrollment of CHIP recipients that provide QUEST physician services, including the QUEST expanded care program, so that the health plans payment can increase the payment for these physician services can be increased; and

(2) The sum, when added to the amount of reimbursement payable under the appropriate Medicaid fee schedule, shall in no event exceed 100 per cent of the appropriate Medicare fee schedule applicable to Hawaii.

SECTION 3. The department of human services shall include in its budget request for each year of the 2013-2015 fiscal biennium a sum at least equal to the sum appropriated in section 2, in addition to its baseline Medicaid request for HMS 401, that will allow for increased moneys to

be paid out for primary care services provided by primary care physicians to CHIP recipients.
~~services for medicaid-eligible persons, including fee-for-service and QUEST physician services,~~
~~including the QUEST expanded access, and SCHIP program.~~ The department shall report the
amount of the baseline medicaid sum and the additional funds to be paid out for physician
services to the legislature no later than twenty days prior to the convening of the regular sessions
of 2013 and 2014.

~~—SECTION 4. The department of human services shall report to the legislature no later than~~
~~twenty days prior to the convening of the regular sessions of 2013 and 2014 the amount of~~
~~funding necessary to:~~

~~—(1) Continue the increased payments for physician services up to 100 per cent of the~~
~~appropriate medicare fee schedule applicable to Hawaii; and~~

~~—(2) Increase payments up to 100 per cent of the appropriate medicare fee schedule~~
~~applicable to Hawaii to all medicaid fee-for-service and QUEST providers, including the~~
~~QUEST expanded care program, if approved.~~

SECTION 54. This Act shall take effect on July 1, 2050.