

EXECUTIVE CHAMBERS

HONOLULU

June 20, 2002

COPY

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2500

Honorable Members
Twenty-First Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 2500, entitled "A Bill for an Act Relating to Human Services."

The purpose of Senate Bill No. 2500 is to require the Department of Human Services (DHS) to contract for legal services to maximize collections from the federal Medicare program for recipients who are dually eligible for Medicare and Medicaid. The bill requires a contingency fee arrangement under which the contractor would receive one-third of the Medicare funds recovered and requires the DHS to make available to the contractor all information to identify adequately claims for dually eligible Medicare and Medicaid recipients.

Because this bill specifies that the contractor must receive one-third of the Medicare funds recovered, the potential savings to the State is very limited. The bill gives DHS no flexibility in negotiating the cost of the contractor's services. Costs of the Medicaid program are split between the federal government (56.34 percent) and the State (43.66 percent). At any time after Medicaid pays for services, if the State recovers costs from the fully federal-funded Medicare program or any other source of funding, the State must reimburse to the federal Medicaid agency 56.34 percent of any such recovery. If 33.33 percent of the federal funds recovered from Medicare is paid to the legal services contractor, a total of 89.67 percent of the recovery will be paid to the federal Medicaid agency and the contractor. The remaining part of only 10.33 percent of the

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recovery would be the State's part of the recovered funds, which must also cover the administrative costs of providing information to the legal services contractor.

Moreover, DHS is currently negotiating a contract to identify and maximize recoveries from Medicare and all other liable third parties. Accordingly, the bill is also unnecessary.

For the foregoing reasons, I am returning Senate Bill No. 2500 without my approval.

Respectfully,

A handwritten signature in cursive script that reads "Benjamin J. Cayetano".

BENJAMIN J. CAYETANO
Governor of Hawaii

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P R O C L A M A T I O N


WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawaii, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

WHEREAS, Senate Bill No. 2500, entitled "A Bill for an Act Relating to Human Services," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 2500 is unacceptable to the Governor of the State of Hawaii;

NOW, THEREFORE, I, BENJAMIN J. CAYETANO, Governor of the State of Hawaii, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawaii, giving notice of my plan to return Senate Bill No. 2500 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,
State of Hawaii, this 20
day of June, 2002.



BENJAMIN J. CAYETANO
Governor of Hawaii