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**LATE**  
Testimony

February 12, 2009

MEMORANDUM

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

FROM: Lillian B. Koller, Director

SUBJECT: **H. B. 1284 – RELATING TO HEALTH**  
Hearing: Thursday, February 12, 2009 9:00 a.m.  
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to appropriate to the Department of Human Services, State general funds in the amount of \$8,000,000 for each year of the 2009-2011 fiscal biennium to increase the payments for physician services for Medicaid-eligible persons, including fee-for-service and for health plans that provide QUEST physician services, not to exceed 100 percent of the Medicare fee schedule for Hawaii. This bill also requires the Department of Human Services to include a supplemental budget request for fiscal year 2010-2011 in a sum equal to the \$8,000,000 appropriation to be included in its baseline budget. Finally, the bill requires several reports to the 2010 Legislature.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this bill. While this measure has merit, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Although Hawaii Medicaid reimbursement rates are comparable to rates nationally, Medicaid rates are typically among the lowest compared to private insurers and even Medicare. Access has been shown to be associated with reimbursement, and we greatly appreciate those physicians who are committed to the Medicaid recipients in their communities and are accessible to them.

Act 284, SLH 2007, similarly appropriated \$8 million in general funds for a physician reimbursement increase. These funds now provide the physicians in the Medicaid Fee-For-Service program and Medicaid QUEST and Medicaid QUEST Expanded Access managed care health plans with reimbursements of approximately 79.5% of the 2006 Medicare rates. This funding expires July 1, 2009 when the rates will otherwise revert to the rates before this increase.

The amount of the rate increase is based actuarially on projected utilization. If in subsequent years the enrollment and utilization increase, the same \$8 million may not necessarily result in maintenance of the existing rates.

DHS notes that this bill appropriates the funds to be equitably distributed between physician services in both the Medicaid fee-for-service and QUEST programs. As about 39,000 aged, blind and disabled Medicaid recipients have transitioned from the Medicaid Fee-For-Service program to the new QUEST Expanded Access (QExA) program, if this bill moves forward, it should be amended to clearly include the QExA plans in the proposed increased rates.

Thank you for this opportunity to testify.