

HB 1284

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DEPARTMENT OF HUMAN SERVICES
P.O. Box 339
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April 6, 2009

MEMORANDUM

TO: Honorable Donna Mercado Kim, Chair
Senate Committee on Ways and Means

FROM: Lillian B. Koller, Director

SUBJECT: **H. B. 1284, H.D. 1, S.D. 1 – RELATING TO HEALTH**

Hearing: Monday April 6, 2009, 9:30 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of this bill is to appropriate to the Department of Human Services, State general funds 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 undisclosed amount of the Medicare fee schedule for Hawaii. This bill also requires the Department of Human Services to report to the amount of the baseline Medicaid and additional funds needed for fiscal year 2010-2011 and the amount of funding to continue increased payments for physicians services to Medicaid-eligible persons. Finally, the bill requires several reports to the 2010 Legislature.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) opposes this bill as the current days of business not as usual require very difficult decisions of competing priorities, and increasing an expenditure while shortfalls exist would not be prudent.

AN EQUAL OPPORTUNITY AGENCY

Given the current fiscal situation and unprecedented increase in enrollment, the Medicaid program is quite fortunate that it has not yet had to resort to reducing provider payments. Before any increase to provider payment is considered, we must first ensure that the program is adequately funded to serve all the clients needing and eligible for medical assistance.

Maintaining the current physician fee schedule into SFY 2010 will require total funding well in excess of \$20 million as enrollment and utilization continue to increase. Even at the increased Federal Medical Assistance Percentage, an additional appropriation of approximately \$7 million of general funds would be required for SFY2010 and more than \$8 million for SFY2011.

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 \$8 million in State funds appropriated corresponded to a total of \$17.8 million total State and Federal funds that was used to actuarially calculate the amount of increase for the fee schedule based on projected enrollment and utilization the fee schedule increases. However, enrollment and utilization increased much more than anticipated and a total amount exceeding that budgeted was spent on physician payment increases.

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.

Thank you for this opportunity to testify.

Testimony to the Senate Committee on Ways and Means
Monday, April 6, 2009 at 9:30 a.m.
Conference Room 211, State Capitol

RE: HOUSE BILL 1284 HD1 SD1, HD1RELATING TO HEALTH

Chair Kim, Vice Chair Tsutsui, 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 1284, HD1 SD1 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.

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 for physician services to Medicaid-eligible persons 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 1284 HD1 SD1. Thank you for the opportunity to testify.

HMSA



An Independent Licensee of the Blue Cross and Blue Shield Association

April 6, 2009

The Honorable Donna Mercado Kim, Chair
The Honorable Shan S. Tsutsui, Vice Chair
Senate Committee on Ways and Means

Re: HB 1284 HD1 SD1 – Relating to Health

Dear Chair Kim, Vice Chair Tsutsui and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to provide comments in support of HB 1284 HD1 SD1.

While Hawaii can boast a lower than average uninsured rate due to the Prepaid Health Care Act (PHCA), it also must be noted that when the economy is not faring well and unemployment is rising the PHCA cannot assist those who have lost their health care coverage along with their jobs. Under this scenario many individuals turn to Hawaii's Medicaid programs to receive their health care services. With the poor economic times facing the state and the nation, more individuals will be accessing care through Hawaii's safety net programs. We support HB 1284 which would increase the reimbursement rates for physicians providing care to the neediest in our community.

Thank you for the opportunity to provide comments in support of HB 1284 HD1 SD1.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Assistant Vice President
Government Relations



OCCUPATIONAL THERAPY ASSOCIATION OF HAWAII

1360 S. Beretania St., Suite 301, Honolulu, Hawaii 96814

**Testimony by:
Virginia Tully, OTR, MBA
HB1284sd1, Health
Senate WAM Hearing – Monday, April 6, 2009
Room 211 – 9:30 am**

Position: Support Intent, With Recommendations

Chair Mercado Kim, and Members of the Senate WAM Committee:

I am Virginia Tully, OTR, and past-president of the Occupational Therapy Association of Hawaii, (OTAH), which represents 507 occupational therapists (OTs) licensed in Hawaii. OT's work in many settings throughout the State, including hospitals, schools, and prisons, to private facilities and community programs. We work with very young children, ages 0-3, as well as school aged children, adults, and the elderly, seeking to restore or develop social-emotional, physical, cognitive, communication and adaptive behavior challenges.

Through understanding of the effect of the consumer's disability, illness and impairment, the occupational therapist develops a program that will promote development and establish needed skills to be independent in daily living activities. Daily living skills include self-care such a bathing, dressing, and skills required for learning, work or social interaction. Often times, OTs must design/fabricate special devices or suggest modification to the home environment.

We support and appreciate the intent of this measure. Currently, many private clinics do not accept Medicaid clients because of the low reimbursement. These consumers are then referred to another clinic, and must wait for approval for medical care. Access to care is compromised, which may escalate the intensity of care needed and preventable use of the emergency room, which is costly. Reimbursement to providers of at least 100% of Medicare may encourage more providers to accept Medicaid clients.

Recommendations:

In addition to physician care, Medicaid clients often need services provided by other health care professionals such as physical and occupational therapy services as well as speech therapy services. As such we recommend that these services also be include in this measure.

Thank you for the opportunity to submit testimony. I can be reached at 544-3336 if further information is needed.