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February 1, 2010

LATE

MEMORANDUM

TO: Honorable David Y. Ige, Chair
Senate Committee on Health

Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2103 – RELATING TO THE FEDERAL DISPROPORTIONATE SHARE
HOSPITAL FUNDS**

Hearing: Monday, February 1, 2010, 2:45 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of this bill is to appropriate funds for the State's portion of the Federal disproportionate share hospital allowance (DSH).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) must respectfully oppose this bill. Given the State's current fiscal difficulties, it would not be prudent to pursue enactment of a new general fund appropriation to match the federal disproportionate share hospital (DSH) allowance to hospitals.

DSH funds are accessed as a Federal match to a State share that can be a new State general fund appropriation or certain general fund expenditures, such as certified expenditures of the Hawaii Health System Corporation (HHSC). The State share needed varies based on the Federal Medical Assistance Percentage (FMAP) at the time the Federal funds are drawn down.

Due to the efforts of Hawaii's Congressional Delegation and others, a Federal Medicaid DSH allowance of \$2.5 million per quarter through December 31, 2011 has been authorized for Hawaii. DSH payments, using the distribution formula developed by the Healthcare Association of Hawaii (HAH), have been made through June 30, 2008. With agreement from HAH, DHS is submitting a Medicaid State Plan amendment to the Federal Centers for Medicare & Medicaid Services (CMS) using excess HHSC certified expenditures to match the federal DSH allowance for the period July 1, 2008 through June 30, 2009. Federal DSH allowance is still available for the period July 1, 2009 through December 31, 2011.

Finally, please note that DHS has also been distributing "DSH-like" federal funds of \$7.5 million per year to hospitals statewide since 2005 pursuant to a creative Medicaid 1115 waiver that DHS obtained from CMS. DHS distributes these funds based on the same DSH formula developed by the HAH. The next distribution of these funds is scheduled to occur in February 2010.

Thank you for this opportunity to testify.