

February 18, 2010

The Honorable Linda Lingle
Office of the Governor
State Capitol
Honolulu, HI 96813

Dear Governor Lingle:

The State of Hawaii, Department of Human Services (DHS), recently announced that it intends to delay payments of \$300M to \$400M to the QUEST and Quest Expanded Access (QExA) health plans due to the State's fiscal crisis. This unilateral move will have an immediate adverse impact on the health plans with negative consequences for providers. Further, this action is a clear signal that the entire Medicaid program is in jeopardy of collapse within the very near future.

Above all, those who are the least able to withstand any such impact are the very people these programs serve — namely, our keiki and kupuna, pregnant mothers, the poor, and those with chronic and disabling conditions. The current situation is placing their lives in jeopardy.

Providers who serve the Medicaid population such as hospitals, nursing facilities, care homes, foster homes, community health centers, physicians, home health, caregivers and many other providers, are extremely dependent on payments from the health plans to meet current operational expenses, including payroll. Many providers care for the Medicaid population with reimbursements already below their cost. Adding delayed payments of this magnitude may be the tipping point against continued participation. While some providers are required to provide certain services to the Medicaid population, there are many providers who are not required to participate in the Medicaid program. The statement by DHS that it will delay payments, combined with uncertainty about the future, may cause current and potential new providers to consider whether to participate in Medicaid. This will mean a significant hardship for over 240,000 QUEST, QExA and fee-for-Service (FFS) recipients to get access to the care and services that they need.

DHS has stated that it is expecting a Medicaid deficit from the current SFY of just under \$100 million, and that it likely will be even larger, perhaps \$150 million or more, on June 30, 2011. The speculation is that plans and providers will be asked to lend DHS more funds next year through an even greater delay in payments. This could cause the system to collapse as this debt cannot be carried by the plans and/or the providers. It could also signal an effective termination of all Medicaid contracts (with health plans and providers) due to non-availability of State funds.

It appears that the Administration has not and does not appear willing to adequately fund its state and federally mandated obligations to Medicaid beneficiaries.

Recommendations

- 1) The Administration should explore all possible methods to secure immediate funds to enable DHS to meet its financial obligations for the QUEST and QExA programs. The Administration, lacking any funding, should request an emergency appropriation from the Legislature to allow public discussion about health services as a public policy priority.

- 2) The Legislature in concert with our Congressional Delegation should explore opportunities to assist in securing both immediate and permanent funding for the Medicaid program. This could include, for example, support of an extension of stimulus funding for Medicaid.
- 3) The Administration, Legislature, health plans, providers and the community should collaborate to explore structural changes to the Medicaid program to assure its long-term viability with a focus on access, quality, equity and efficiency.
- 4) Issue a report on the status of the Medicaid program focusing on:
 - Sources and uses of funds within DHS
 - Current and future funding levels and timing of payments to health plans and providers
 - Proposed or potential changes to eligibility, benefits or other structural modifications

The report, in review of funding levels and structural changes, should address:

- Medical, economic and social impact on Medicaid beneficiaries
- Compliance with state and federal regulations
- Timing and assurance of federal matching funds (FMAP) (on-going and stimulus funds)
- Strategies to maintain and even increase provider participation in Medicaid
- Assuring future health plan participation
- Maximum use of federal funds that support the overall healthcare delivery system, such as the ARRA Electronic Health Record Incentive program

With this crisis looming, it is readily evident to all of us that the State of Hawaii needs to fulfill its obligation to this vulnerable and frail population. We urge immediate action.

Through our patients, members, employees, friends, and families we touch nearly every single person in the State of Hawaii. We respectfully request to meet with you and/or your key advisor(s) on this matter.

Thank you for your consideration of this request.

Healthcare Association of Hawaii (hospitals, nursing facilities, hospice and home health)
Hawaii Medical Association (physician membership organization)
Hawaii Primary Care Association (community health centers)
Hawaii Long Term Care Association (nursing facilities, assisted living facilities, type II ARCHs)
Hawaii Independent Physicians Association (association of independent physicians)
Adult Foster Homecare Association
Alliance of Residential Care Administrators
AlohaCare (QUEST health plan)
Evercare (QExA health plan)
HMSA (QUEST health plan)
Kaiser Permanente (QUEST health plan)
Ohana Health Plan (QExA health plan)

Cc: Congressional Delegation, Legislative Leadership and Key Stakeholders