



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 11, 2007

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: Senate Bill 1672 SD2 HD3 CD1

On July 10, 2007, Senate Bill 1672, entitled "A Bill for an Act Relating to Health" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

This bill: (1) appropriates \$8 million in fiscal year 2007-2008 and \$8 million in fiscal year 2008-2009 to the Department of Human Services (DHS) in order to increase physician reimbursement rates that are paid to doctors who provide care under Medicaid and QUEST; and (2) requires DHS to submit a supplemental budget request of \$8 million or more for FY2009 to the 2008 Legislature to sustain the increased Medicaid and QUEST payments to physicians.

The objective of this bill to increase physician reimbursement rates is laudable. It is vitally important to address the rates of physician reimbursement to ensure that all Hawaii patients, particularly those who live in rural areas, have access to quality health care. However, this bill poses several serious concerns.

Regrettably, the Legislature appropriated these funds outside of the normal budget process. These expenditures have not been included in the State's six-year financial plan and have not been weighed against other State priorities. Since I took office in 2002, I have urged the Legislature to exercise fiscal discipline and prudent financial planning by acting only after developing a comprehensive, multi-year fiscal framework. This year, as I have in all previous legislative sessions, I exercised financial discipline by developing a six-year, balanced and comprehensive financial plan prior to submitting my executive budget.

Unfortunately, the Legislature did not exercise the same fiscal responsibility by including this appropriation as part of the Executive Biennium Budget. In addition, such a large appropriation raises concerns on the potential adverse impact this expenditure may have on future State spending requirements.

The Honorable Colleen Hanabusa, President
and Members of the Senate
July 11, 2007
Page 2

This bill is also objectionable because it unfairly intrudes upon the basic tenants of the separation of powers among the branches of government. The bill unduly interferes into the prerogatives of the Executive Branch by requiring DHS to add millions of dollars to its base budget request.

In addition, this bill is objectionable because, in practice, it will be hard to implement--particularly for the physicians who provide services to QUEST patients. Unlike Medicaid fee-for-service, DHS does not pay a specified rate for physicians who provide services to Medicaid QUEST patients. Instead, DHS pays a capitated, per person daily rate to the contractors who provide services. Therefore it will be difficult for QUEST to distribute equitably the additional funds, and may subject existing physician-insurer contracts to renegotiation.

This Administration will continue to work with the health industry to develop quality health access standards for both Medicaid-eligible patients and those under managed care programs such as QUEST.

For the foregoing reasons, I allowed Senate Bill 1672 to become law as Act 284, effective July 10, 2007, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Lingle", written in a cursive style.

LINDA LINGLE