

EXECUTIVE CHAMBERS

HONOLULU

July 8, 2008

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2542

Honorable Members
Twenty-Fourth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 2542, entitled "A Bill for an Act Relating to Public Health."

The purpose of this bill is to codify the procedures for managed care supplemental payments by the Department of Human Services (the department) to federally qualified health centers (FQHCs) or rural health clinics (RHCs) that have contracts with Hawaii Medicaid managed care health plans. This bill also appropriates \$1 million to the Department of Health for medical care for the uninsured.

This bill is objectionable because it is unnecessary to restate in a state statute the requirements already imposed by federal law. In the case of services furnished by an FQHC or RHC pursuant to a contract with a managed care plan, the State plan must provide for a supplemental payment to the clinic to make up the difference between the amount paid under the managed care contract and the cost-based amount calculated in section 1902(bb)(1) of the Social Security Act. Therefore, FQHCs and RHCs have been receiving, and will continue to receive, their supplemental payments pursuant to federal law.

Although section 2 of this bill, detailing the reimbursement procedures for FQHCs and RHCs, is only to be implemented after approval of a State plan amendment by the Centers for Medicare and Medicaid Services, it is not good public

policy to place detailed procedural directives in statutes. Statutes should be broad statements of general policy, with detailed procedures placed in administrative rules or related administrative documents.

It would be unwieldy and cumbersome to change detailed procedures that are in statutes. The only way the department or the provider community could alter the statutory reimbursement procedures would be through further legislative action, which would need to occur each time there were changes in federal policy or requirements, or other circumstances in which changes would be beneficial.

This bill liberalizes the current prospective payment system, which would result in reimbursements in excess of the current mandated PPS supplemental payments to FQHCs and RHCs. This could have substantial fiscal impact since the State is already facing higher costs for provider reimbursements due to the anticipated reduction of the federal contribution to Hawaii's Medicaid program. Additionally, the \$1 million general fund appropriation in this bill is outside of the stated six-year balanced budget plan.

For the foregoing reasons, I am returning Senate Bill No. 2542 without my approval.

Respectfully,



LINDA LINGLE
Governor of Hawaii