



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

September 18, 2009

Senator Daniel K. Akaka
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Akaka:

An important part of the health care debate occurring in Congress involves the cost of proposed changes. A significant part of that cost is likely to be borne by States, which are already hard pressed to handle their share of Medicaid expenditures.

I am writing to express concern about the impact of pending Congressional legislation on the State of Hawaii. I understand Governors across the United States are contacting their Congressional delegations to ensure that State concerns are heard.

In Hawaii, the State's portion of Medicaid has reached \$682 million a year, or more than 15% percent of our State's FY 2010 projected general fund revenues. We did not have enough money at the end of fiscal year 2009 to pay all our State expenses, and one of the items we had to defer was Medicaid payments. Doctors, hospitals and health care providers had to carry the State through June 30, 2009, until we were able to reimburse them in July for over \$43.5 million owed to them from the previous fiscal year.

Moreover, Hawaii spends in excess of \$30 million in State tax dollars each year to provide health coverage for citizens of Micronesia, the Marshall Islands and Palau who migrate here under the Compacts of Free Association (COFA) with the U.S. government. In total, Hawaii spends more than \$101 million annually (that is a conservative estimate) on health care, education and other services for COFA migrants, yet we receive less than \$11 million in reimbursement from the U.S. Department of the Interior. Hawaii should be fully reimbursed for all COFA expenses, because this is clearly a Federal, not a State, responsibility.

Congress recognized the fiscal constraints States are facing when it allowed additional Federal Medical Assistance Percentages (FMAP) funds to be used in lieu of State funds when paying Medicaid costs. For Hawaii, we will use at least \$350 million in Federal FMAP funds to help cover the gap in State dollars between now and December 31, 2010.

I am concerned how Hawaii will resume paying Medicaid costs when the American Reinvestment and Recovery Act funds expire. And as you know, our financial burden may grow even greater, depending on Congressional action regarding health care reform.

Despite Congressional recognition of the fiscal constraints facing States, current proposals in both the House and Senate propose to expand the Medicaid program with additional costs passed down to the States. The National Governors' Association has gone on record as opposing this action as an unfunded mandate that shifts costs to States. In most States, including Hawaii, this action would be tantamount to mandating a tax increase on every resident.

As you can appreciate, this is the worst possible time to mandate tax hikes. Because Hawaii lagged other jurisdictions in the onset and will lag in the recovery from the recession, it is projected that we will not return to pre-recession tax revenue levels until 2012 at the earliest. And this is only if all the rosy projections by the Council on Revenues are accurate.

To place Hawaii in a position where we would have to bear additional costs, and therefore mandate tax increases, would hurt recovery efforts and further harm residents who are struggling to make ends meet.

There are important steps Congress can take to create a more affordable health care system. Many of these steps are familiar to you, including medical malpractice insurance reform, portability of plans between jobs and across State lines, allowing college-age children to remain on their parent's health plan, and allowing those who live healthy lifestyles to enjoy lower insurance premiums. I encourage you, as leaders in Congress, to support these sensible and timely solutions.

Many people believe we need to address the high costs of health care while increasing access to quality medical treatment. But reforms need to be accomplished in a thoughtful manner without shifting expenses to States at a time when we do not have the ability to pay.

I welcome the opportunity to discuss these concerns with you, and trust you will keep the best interests of our State in mind.

Sincerely,



LINDA LINGLE

cc: Congressman Neil Abercrombie
Congresswoman Mazie Hirono



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

September 18, 2009

Senator Daniel K. Inouye
722 Hart Building
Washington, D.C. 20510-1102

Dear Senator Inouye:

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cc: Congressman Neil Abercrombie
Congresswoman Mazie Hirono