

## Legislative Auditor

# OVERVIEW

## STUDY AND PLAN FOR MAXIMIZING FEDERAL MEDICAID FUNDS FOR HAWAII

Honolulu, Hawaii

February 1990

### Summary

Medicaid is a nationwide program of health care coverage for certain low-income groups. In Hawaii it is administered by the Department of Human Services. A state can qualify for federal matching funds under both mandatory and optional aspects of the program. For covered services in Hawaii, the federal match based on per capita income amounts to about 54 percent of total costs. The State also funds many other health services, mainly through the Department of Health.

Recognizing the flexible aspects of Medicaid and the possibility that Hawaii may be funding services eligible for federal matching funds, the

Legislature in 1989 requested the legislative auditor to study these issues and to recommend a plan for maximizing federal funds. The auditor contracted with two firms, Lewin/ICF and Fox Health Policy Consultants, to complete the work.

The study focused on how to expand Medicaid coverage to services and populations that are currently funded by the State through the Department of Health. It also reviewed and evaluated the roles of the two major state agencies involved--the Department of Human Services and the Department of Health. The results were formulated into a plan.

### FINDINGS

*The State can realize \$2 million or more in additional federal Medicaid funds each year by broadening Medicaid coverage and improving policies and procedures for reimbursement.*

*The state program includes most eligibility categories for which federal funds are available, but there are still some options that could be adopted.*

*Administrative improvements in the Department of Human Services and the Department of Health would also benefit the program, particularly in interdepartmental coordination and data management.*

### RECOMMENDATIONS

*For the health care services now provided by the Department of Health, the State could adopt a new Medicaid benefit, redefine benefits to extend Medicaid coverage, increase Medicaid reimbursement rates to the department, and improve the department's billing procedures.*

*The State should expand Medicaid coverage to include children ages 4 to 8 in families with incomes up to the poverty level, raise the income eligibility level for the medically needy to the maximum allowed by federal law, and increase the enrollment of those eligible for Medicaid alone.*

*The departments of health and human services should ensure coordination between Medicaid and*

*the new State Health Insurance Program. Both departments should also improve coordination of matters related to Medicaid, open their administrative processes to input from interested community groups, and develop more effective information systems for monitoring and assessing Medicaid options and coverage.*

### RESPONSE

*Both the Department of Human Services and the Department of Health agreed in general with the consultants' recommendations. They expressed appreciation for the plan developed to maximize federal Medicaid funds for Hawaii.*