



Health, Education and Human Services Division

B-270670

December 15, 1995

Senator Daniel K. Akaka
United States Senate

Senator Daniel K. Inouye
United States Senate

The Honorable Patsy T. Mink
House of Representatives

The Honorable Neil Abercrombie
House of Representatives

In your letter dated November 28, 1995, you expressed concern that Hawaii's Medicaid spending for fiscal year 1995 may have been understated in tables that we produced at the direction of the Senate Finance committee. More specifically, you were concerned that the base year funding amount used in these tables was obtained by subtracting federal allotments for Disproportionate Share Hospital (DSH) payments from the state's estimated fiscal year 1995 Medicaid spending. Because Hawaii's Director of the Department of Human Services reported that the state will not use any of the DSH allotment, you asked if the Senate Medicaid base year amounts and the subsequent November 15 budget reconciliation calculations accurately reflected that situation.

In brief, we are unable to determine if Hawaii's funding under the November 15 conference agreement accurately reflects Hawaii's DSH payments because the conference agreement makes no reference to a base year spending amount. Rather, the conferees agreed to specific funding amounts for each state for fiscal year 1996 and did not explicitly link the fiscal year 1996 grant to prior spending.

With respect to the provisions as passed by the Senate, the determination of the base year federal funding amount involved choosing the largest of the adjusted federal funding amounts for the 3 fiscal years 1993 to 1995 as reported by the Health Care Financing Administration (HCFA). For 1995, the legislation required HCFA to exclude any federal payments under the DSH program from the total

155817

B-270670

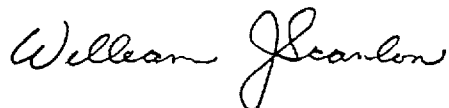
federal funds. For 1994, total federal funds, including DSH payments were to be inflated 3.4 percent. Finally, for 1993, HCFA was required to use 95 percent of total federal funds after excluding DSH payments.

At the direction of the Senate Finance Committee, we prepared tables showing each state's base year funding amounts. Because federal payments for fiscal year 1995 were not yet available, the Committee supplied us with estimated federal funding for that year. For Hawaii, its base year figure equalled its estimated fiscal year 1995 spending as reported by HCFA, less its federal DSH allotment. Because Hawaii does not intend to use its DSH allotment, the base year funding shown in the tables we produced for the Senate would understate Hawaii's actual fiscal year 1995 spending.

This understatement would not, however, affect fiscal year 1996 Medigant funds that Hawaii would receive under the Senate legislation, because such payments would be allocated based on actual fiscal year 1995 federal payments excluding federal payments for DSH, rather than the estimated spending used in the Senate tables.

- - - - -

If you have any questions regarding this letter or if we can be of further assistance, please give me a call at (202) 512-4561. Copies of this letter will be made available to other interested parties upon request.



William J. Scanlon
Director, Health Systems
Issues

(118129)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
