

Congress of the United States
Washington, DC 20515

April 16, 2020

The Honorable Richard Neal
Chairman
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
1139 Longworth House Office Building
Washington, DC 20515

Chairman Neal and Ranking Member Brady:

As Congress formulates our next Coronavirus Disease 2019 (COVID-19) assistance package, we write to request, on an emergency basis, a 1.5 work geographic practice cost index (GPCI) to be applied in the Medicare Physician Fee Schedule for Hawai'i.

The Medicare Physician Fee Schedule has consistently failed to account for the unique costs of providing medical services in Hawai'i, leading directly to an accelerating shortage of health care providers across our state and especially in more vulnerable, underserved communities. The dramatically increased financial stress on these providers as a result of COVID-19 consequences combined with this unreasonably low Medicare reimbursement, even with the 20% rate increase in the CARES Act, puts our hospitals and healthcare providers in dire straits. Hawaii's healthcare system was running on thin margins before COVID-19, but this combination is now pushing our state's more marginal hospital and providers further away from Medicare provision and toward cessation of operations.

Since it is especially difficult to standardize relative costs in a simple formula in this area, statutory adjustments have been made to account for real-world costs that cannot be captured in Center for Medicare and Medicaid's (CMS) standard formula for calculating GPCIs. This is why the current formula includes the permanent statutory 1.5 work GPCI floor for Alaska. In fact, the CARES Act further addressed this issue partially by including an increase of the physician work GPCI for states where the labor cost is lower than the national average.

As an island state, Hawaii's unique geography makes it inherently difficult to provide healthcare services uniformly across the state. This unique geography includes large rural areas, areas of sparse population, fragmentation, duplication due to roadless areas (including due to ocean geography) and higher costs due to the lower volume of patients served. These geographic challenges make it not only difficult to provide access to services but also increase healthcare costs.

The Alaska adjustment is especially informative in this situation since Hawai'i has many similar characteristics to Alaska when it comes to geography. As noted before, Alaska retains a significantly higher reimbursement fee due to the 1.5 work GPCI floor. For example, in 2018, the reimbursement in Hawai'i for an initial observation care appointment was \$103.67 compared to \$128.16 in Alaska. These reimbursement disparities exist even though Hawai'i and Alaska share many of the same characteristics as the two noncontiguous states in the Union.

In addition to Hawaii's unique geography which makes providing care more expensive, Hawaii's cost of living consistently ranks amongst the highest in the nation, and CMS's use of wages does

not reflect that cost of living, leading to an inadequate physician fee reimbursement rate. Data from the Bureau of Economic Analysis shows that the Regional Price Parities (RPP) put Hawaii's cost of living at the same level as San Francisco, CA. However, Medicare reimbursements in Hawai'i remain significantly lower than San Francisco or its other RPP city counterparts.

The consequence of these low Medicare physician reimbursements are having a serious effect in Hawai'i now aggravated by COVID-19. Most acutely, it has led to healthcare provider shortages across the State which left unaddressed can only be expected to worsen as the effects of COVID-19 set in.

The Island of O'ahu, for example, has a 46% shortage of general practice and family practice doctors, and the Island of Kaua'i has no island-based specialists in infectious disease, critical care, neonatal perinatal care, geriatrics, allergy/immunology or rehabilitation physicians. Hawai'i Island has no island-based neonatal perinatal care, infectious disease or colorectal surgery physicians.^[1]

Furthermore, in 2018, 39 physicians left the state. Inadequate Medicare reimbursements are often cited as a major reason why it is difficult to practice in Hawai'i and why health care professionals either leave Hawai'i or never come to start with. Inadequate reimbursement rates during this pandemic could force hospitals and healthcare providers to accelerate shutting down their practices.

To ensure that Hawai'i is receiving adequate reimbursement during this pandemic in particular, we ask that the Committee fully recognize Hawaii's unique geographic differences and cost of living to increase the Medicare physician reimbursement rate by statutorily adjusting the state's formula to mandate a 1.5 work GPCI floor during at least the COVID-19 emergency declaration. GPICs were created to reflect the variations of costs throughout the United States, but they have simply not reflected the real costs of providing services in Hawai'i. This adjustment is necessary to assure that Hawai'i retains the bare minimum of healthcare providers especially in underserved areas to care for our patients during this pandemic.

We thank you for your prompt attention to this matter. If you have any questions, please reach out to Kana Smith with Congressman Ed Case's staff at kana.smith@mail.house.gov or (202) 225-2726.

With aloha,

_____/s/_____
Ed Case
Member of Congress

_____/s/_____
Tulsi Gabbard
Member of Congress

^[1] <https://jabsom.hawaii.edu/hawaii-doctor-shortage-takes-a-troubling-turn-for-the-worse/>