

**TESTIMONY
OF
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BEFORE THE
SUBCOMMITTEE ON INDIAN, INSULAR AND ALASKA NATIVE AFFAIRS
U.S. HOUSE COMMITTEE ON NATURAL RESOURCES
Tuesday, July 25, 2015, 10:00 a.m.
1324 Longworth House Office Building**

Chairman LaMalfa, Ranking Member Torres and members of the committee, on behalf of American Samoa, I am honored to present testimony regarding our unique Medicaid program. Thank you for this prodigious opportunity to share with you the unique features of the Medicaid program in American Samoa.

American Samoa was granted a 1902(j) waiver in 1983 to administer a Presumptive Eligibility model for the Medicaid Program. Under this waiver, American Samoa is the only U.S. jurisdiction where there is no eligibility and enrollment of individual beneficiaries. Beneficiaries are presumed eligible for Medicaid if they fall within the 200% U.S. federal poverty level.

In terms of Medicaid funds and its relation to LBJ hospital, the priority of the Lolo Administration and of the territory, is to maintain the Medicaid revenue stream that helps support the LBJ and our whole health care system. First, the deadline to expend the Medicaid funds under ACA must be extended to allow American Samoa to increase access to medical services for beneficiaries. Second, we must have an increase of \$15 million a year in the regular Medicaid block grant funds under the Social Security Act regardless of what happens to the ACA Medicaid funds. This will allow the Medicaid agency to adequately fund the needs of the American Samoa Medicaid program and avert the reduction or suspension of medical care services. If ACA is repealed or replaced without this increase in the regular Medicaid grant, the consequences would be devastating to the local government and our local economy, but most of all, it will cripple the LBJ hospital and our health care system so as to deny access to medical care for our people.

One of the most significant challenges that the hospital faces is the chronic deficiencies with CMS Survey and Certification putting at risk its Medicare and Medicaid funding. The LBJ hospital was built in 1968 and is located in a tsunami zone and sustained major damage during the 2009 tsunami. American Samoa needs a modern hospital outside of the tsunami zone. Continuing to do band aid solutions

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to renovate the 50-year old LBJ hospital is not cost effective. American Samoa needs from Congress an appropriation of \$200 million for a state of the art hospital that would be fully compliant with Medicare Conditions of Participation and CMS standards for infrastructure.

The Lyndon B. Johnson Tropical Medical Center has been the only Medicaid provider on island, until February 2017 when the American Samoa Department of Health's Federally Qualified Health Center (FQHC) became the second Medicaid provider in the 35-year history of the program. The 1902(j) waiver under the Social Security Act gives the American Samoa Medicaid agency flexibility to waive federal regulations that are inappropriate and not relevant for its small Medicaid program. It however, cannot waive three things; (1) the Medicaid cap funding, (2) the Federal Medicaid Assistance Percentages (FMAP) for local and federal match requirements, and (3) the mandatory health services required under the Social Security Act. All three of these provisions create inconsistent federal objectives because (1) and (2) limit funding for American Samoa thus making number (3) unachievable. In essence, number (3) becomes an unfunded mandate that the American Samoa Medicaid program cannot comply with because of inadequate funding. Unlike the states unlimited access to Medicaid funds, American Samoa and the territories Medicaid programs operate as a capped block grant. Further, the FMAP percentage match rate was imposed arbitrarily on all five U.S. territories--45% local/55% federal--and equivalent to the matching rates of wealthy states like California and Connecticut. By the 3rd quarter of the fiscal year, American Samoa generally exhausts the territory's regular Medicaid funds under the Social Security Act.

The passage of the Affordable Care Act in 2010 provided an additional \$181 million in Medicaid funding for American Samoa plus an additional \$16 million intended for an insurance marketplace. American Samoa was not able to establish an insurance marketplace because it does not have health insurance providers on the island--except for Medicaid. The \$16 million was added to the ACA Medicaid funds for a total of \$197 million for American Samoa. The territory benefitted from the additional Medicaid funds and the shortfall of the regular annual Medicaid block grant was now covered by the ACA Medicaid funds. Unfortunately, the 2019 deadline to expend the ACA Medicaid funds was not rationale. The ACA was passed with no input from American Samoa, for us to explain that simply setting aside so much Medicaid funds with a deadline for expenditure by 2019 was not logical, as American Samoa only had one Medicaid provider. The LBJ provides limited medical services to a small population. Like any health insurance plan, Medicaid can only reimburse for allowable medical expenses that are actually incurred by patients seeking treatment at a hospital. Since ACA, the LBJ hospital remains the only

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provider on island that can expend Medicaid dollars, until our local government can appropriate local funds for our new providers.

The Medicaid agency does not expend Medicaid dollars but ensures that medical care costs are allowable and that funds for reimbursement of that care are disbursed to the health care providers--in this case LBJ--in a timely manner. Since ACA, LBJ has only been able to draw on average an additional \$5 million dollars from the ACA account. In 2016, the LBJ hospital was able to draw \$6 million. If we trend the LBJ's annual expenditures of ACA Medicaid funds, with a beginning balance of \$197 million and an average draw of \$5 million a year, it will take LBJ 39 years to draw all of the ACA Medicaid funds. To date our territory has only been able to draw about 20% of the ACA Medicaid funds because of our limited medical services. It is not possible for the LBJ to draw all the ACA Medicaid funds by 2019 without additional services or an expanded provider network. There are options that the Medicaid agency has successfully pursued to increase access to medical care that would be covered by the ACA Medicaid funds.

The Medicaid agency after nearly years of development and negotiations, submitted two major amendments to CMS to change our Medicaid State Plan. The priority was to enable the Department of Health's FQHC to become a provider. This was approved February 2017. The second was the Off-Island Medical Referral program that the LBJ hospital could not implement due to cash flow problems. This was approved recently in June. The Medicaid agency is waiting for the local budget process to be completed and should the agency receive local match funds, it will be able to draw down ACA Medicaid funds to reimburse the FQHC and providers of the Off-Island Medical Referral program.

The Children's Health Insurance Program (CHIP) is up for reauthorization and is an instrumental part of the funding that supports the health of the most vulnerable of our population--our children. We strongly support the reauthorization of this bill and further request that the cap on CHIP funding for the territories also be lifted.

I wish to thank you Chairman LaMalfa and the Subcommittee for this opportunity. Thank you also to our Representative Radewagen and the Representatives from all the U.S. territories for their support to strengthen Medicaid for the territories. It is not lost on me the importance of this opportunity to appear before this Committee and the attention being afforded to our small island territories. I am most grateful.

Thank you very much. Fa'afetai tele lava.

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