

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2275, H.D. 2, S.D. 1

March 29, 2012

RELATING TO HOSPITALS

House Bill No. 2275, H.D. 2, S.D. 1, establishes a Hospital Sustainability Program Special Fund into which shall be deposited hospital provider fees which will be used to match federal Medicaid funds to increase Medicaid payments to hospitals.

While the Department of Budget and Finance does not take any position on the policy of establishing a hospital sustainability program, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2275, H.D. 2, S.D. 1, it is difficult to determine whether there is a clear nexus between the hospital facilities which are assessed fees and the hospital facilities which receive increased Medicaid payments, and it does not appear that the special fund will be self-sustaining.

I encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, Hawaii Revised Statutes.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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March 29, 2012

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2275, H.D.2, S.D. 1 - RELATING TO HOSPITALS**

Hearing: Thursday, March 29, 2012; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to establish a Hospital Sustainability Program and a special fund into which hospital provider fees shall be deposited and requires the Department of Human Services to charge and collect a provider fee on health care items or services provided by hospitals.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports increasing the sustainability of the State's service delivery system. We recognize that our hospitals provide vital services to our community. The DHS continues to work with stakeholders to develop a model so that proposed language may be provided to amend the bill.

For the Legislature's information, the stakeholders, the DHS and their consultants will be meeting on Thursday, March 29 and DHS is hopeful that agreement can be reached on substantive language that can be offered to the Legislature for consideration.

Provider assessments are commonly used to generate revenue for a state by leveraging federal funds through Medicaid. The DHS and stakeholders recognize that the provider fee would provide the State an opportunity to obtain additional federal matching funds which could be used to help reduce hospital losses resulting from uncompensated care costs.

There are many methods in which this provider fee has been implemented in other States. Under federal law, provider fees must meet three essential tests: the tax must be broad-based; uniformly imposed; and cannot exceed the maximum allowed by federal regulation.

The Department also believes that a methodology can be agreed upon that will benefit the hospitals and DHS. For the hospitals, they will be fully compensated for their uncompensated costs. For example, this proposal will address the hospital's long standing concerns regarding uncompensated costs for patients waitlisted for placement in a long term care nursing facility. Additionally, this measure makes the hospitals whole for all costs associated with the provision of services to medically uninsured patients. For the State and DHS, the funding generated will enable the Department to maintain and provide medical assistance to all of those who really need it.

Thank you for the opportunity to testify on this bill.