



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Everyday"

House Committee on Health
Representative Ryan I. Yamane, Chair
Representative Dee Morikawa, Vice Chair

House Committee on Human Services
Representative John M. Mizuno, Chair
Representative Jo Jordan, Vice Chair

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Conference Room 329
Hawaii State Capitol

**Testimony Supporting House Bill 2275, Relating to Hospitals
Establishes the Hospital Sustainability Program into which hospital sustainability
fees shall be deposited. Requires the Department of Human Services to charge
and collect a provider fee on health care items or services provided by hospitals.**

Bruce S. Anderson, Ph.D.
President and Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of the concept of HB 2275 that establishes the Hospital Sustainability Program into which hospital sustainability fees shall be deposited.

Given that health care provider reimbursements are declining at both the federal and state level, it is imperative that health care providers find innovative ways to generate revenues to offset the decline in reimbursements. We believe that the concept of a provider fee on health care items or services provided by hospitals would be a good financing mechanism that could leverage federal funds to increase the reimbursements to hospitals from the QUEST and QUEST Expanded Access (QEXA) programs.

However, we have several concerns that will need to be addressed before we can provide our full support of this bill. First, the bill requires that the hospitals would pay the sustainability fee 45 days after the end of each calendar quarter. That means that there would be a gap of approximately three months at a minimum before a nursing facility would be able to recoup the amount of the sustainability fee paid from the enhanced reimbursements from the QUEST and QEXA plans. This would create a

severe cash flow issue for HHSC's hospitals, since they do not have adequate cash reserves to make the initial payment and then wait for the reimbursements to come in over the next three months.

Second, the bill does not contain any language that requires deadlines for the Department of Human Services (DHS) to facilitate the drawdown of federal funds or to pay the enhanced capitation rates to the QUEST and QEXA plans. Also, the bill does not contain any language that requires deadlines for the QUEST and QEXA plans to make the enhanced reimbursements to the providers. Further, while the bill contains penalties for hospitals for lack of timely payment, there are no such penalties for DHS or the QUEST and QEXA plans to make sure that the hospitals receive the enhanced reimbursements due them.

Third, the bill does not specify what data source will be used to assess the hospital sustainability fee. While the bill specifies that the fee will be assessed on the hospital's "net patient service revenue," the data source is critical for hospitals to know in order for them to determine whether the amount of the fee assessed to them is correct or not.

Fourth, the bill assumes that all hospitals are participating providers with the QUEST and QEXA plans. It is unclear how hospitals that are not participating providers would receive enhanced reimbursements under this bill.

These concerns have been communicated to the Healthcare Association of Hawaii, whom we understand will be providing technical amendments to this bill to address these concerns as the bill moves through the Legislative session.

Thank you for the opportunity to testify before these committees. We would respectively recommend the Committees' support of this measure.