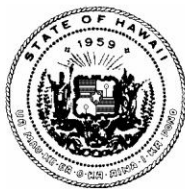


NEIL ABERCROMBIE
GOVERNOR



PATRICIA McMANAMAN
DIRECTOR

BARBARA YAMASHITA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809

February 5, 2013

TO: The Honorable Mele Carroll, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 871 – MAKING AN EMERGENCY APPROPRIATION TO
THE DEPARTMENT OF HUMAN SERVICES FROM THE
HOSPITAL SUSTAINABILITY PROGRAM SPECIAL FUND**

Hearing: Tuesday, February 5, 2013; 8:30 a.m.
Conference Room 329 , State Capitol

PURPOSE: The purpose of this bill is to appropriate the sum of \$43,000,000, or so much as may be necessary for fiscal year 2012-2013, out of the Hospital Sustainability Program Special Fund with such moneys to be used consistent with the Hospital Sustainability Program Special Fund , including the reimbursement of moneys advanced for those purposes in fiscal year 2012-2013 from the health care payments program (HMS 401).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill that would not require any new appropriation of general funds. Due to a technical omission, the hospital sustainability program enacted last year did not include the authorization to expend from the special fund moneys received from fees that were deposited into it.

The Hospital Sustainability Program was established through Act 217 in the

2012 legislative session. The program allows DHS to assess fees on hospitals and utilize the moneys received to draw down federal dollars for supplemental payments to hospitals in order to help offset their uncompensated care.

The DHS has used moneys out of Medicaid's health care payments program (HMS 401) to make the supplemental payments so that payments to the private hospitals would not be delayed due to the technical issue. This bill allows funds from the Special Fund to be used to reimburse Medicaid's HMS 401 account for moneys already advanced and for the required supplemental payments for the rest of fiscal year 2012-2013.

Without the authorization to expend moneys out of the special fund, the DHS will not be able to continue making supplemental payments to hospitals and will face a shortfall for the moneys it advanced in good faith and in the spirit of the intent of Act 217.

Thank you for the opportunity to provide testimony on this bill.



HOUSE COMMITTEE ON HUMAN SERVICES
Rep. Mele Carroll, Chair

February 5, 2013 at 9:30 a.m.
Conference Room 329

Supporting HB 871: Making an Emergency Appropriation to the Department of Human Services from the Hospital Sustainability Program Special Fund.

The Healthcare Association of Hawaii (HAH) advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of HB 871, which makes an emergency appropriation to improve Medicaid payments to hospitals.

Recognizing that Medicaid payments were far below the actual costs of care, the Legislature created the Hospital Sustainability Program last year by enacting Act 217, which increases Medicaid payments to hospitals. The program does that by assessing a fee on hospitals, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to hospitals.

Non-government hospitals are assessed an annual fee based on their patient revenues. Payment is based on the amount of a hospital's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid. As such, the fees and payments are different for every hospital. But while the program increases Medicaid payments to many hospitals, they are still below the actual costs of care.

Unfortunately, it was discovered after the bill was passed that Act 217 did not include a technical appropriation from the Hospital Sustainability Program Special Fund that was needed to make the program work. In order to begin the Hospital Sustainability Program, the Department of Human Services used money from another fund. HB 871 will reimburse those moneys and enable the program to operate as it was envisioned.

Thank you for the opportunity to testify in support of HB 871.



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Tuesday – February 05, 2013 – 9:30am
Conference Room 329

The House Committee on Human Services

To: Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice chair

From: David Okabe
Executive Vice President
Chief Financial Officer

Re: **HB 871**

Making an Emergency Appropriation to the Department of Human Services from the Hospital Sustainability Program Special Fund

Testimony in Support

My name is David Okabe, Executive Vice President and Chief Financial Officer for Hawai'i Pacific Health (HPH). HPH is a nonprofit health care system and the state's largest health care provider anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital on Kauai. HPH is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 49 outpatient clinics and service sites, more than 5,400 employees and 1,300 physicians on staff.

HPH is writing in support of HB 871 which appropriates monies out of the Hospital Sustainability Program Special Fund to the Department of Human Services to be used consistent with the Hospital Sustainability Program Special Fund, including reimbursement of moneys advanced in fiscal year 2012-2013 from the health care payments program (HMS 401).

HPH was a participant in the Hospital Sustainability Program in response to the dire Medicaid reimbursement situation that all providers are confronting. This emergency appropriation will ensure continued timely payments to the hospitals and will ensure that there will be no disruption in the provision of medically necessary services to program recipients.

We ask that you please pass this measure from your committee.



Affiliates of Hawai'i Pacific Health