



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 11, 2013

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 879, H.D.1 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Wednesday, February 13, 2013; 2:00 p.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of the bill is to amend Act 217, Session Laws of Hawaii 2012, to continue the Hospital Sustainability Program by extending the sunset date of the Act, updating the referral dates in the statute, and to revise the funding amount for the hospital sustainability program or fiscal year 2013-2014.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill. Act 217, Session Laws of Hawaii 2012, established the Hospital Sustainability Program. This program leverages available federal funding for the DHS to make supplemental payments to hospitals to help offset their uncompensated care costs and thereby increases the sustainability of Hawaii's hospitals.

The DHS and the Healthcare Association of Hawaii worked closely on developing the amendments to this bill. Through good faith partnership, the two parties were able to reach agreement on the provisions for continuing the Hospital Sustainability Program.

The Hospital Sustainability Program levies a fee on non-governmental hospitals and uses that revenue largely to leverage federal funds and increase reimbursements to hospitals, with a greater benefit to those providing proportionately more services to Medicaid recipients and the uninsured. These additional moneys will increase the sustainability of hospitals in Hawaii to continue as a critical part of the safety-net.

The DHS has been able to obtain approval from the Centers for Medicare & Medicaid Services (CMS) to implement the Hospital Sustainability Program. The first quarter's payments totaling \$19.4 million to private hospitals were issued in January 2013 for the quarter ending October 2012, and the second payments for quarter ending December 2012 were paid on February 1, 2013 for a total payment of \$38.8 million to date.

This bill also will allow the DHS to utilize a small portion of the funds to support Medicaid initiatives that benefit our beneficiaries, such as expansion of behavioral health services for the seriously mentally ill and implementation of a patient centered medical homes pilot. In addition, funds will be used to address a deficit in the DHS base operating budget and fund critical items such as salaries and essential supplies.

Hawaii residents benefit from the Hospital Sustainability Program by having more sustainable hospitals and thereby have increased access to necessary medical care.

Thank you for the opportunity to testify on this bill.



HOUSE COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair

February 13, 2013 at 2:00 p.m.
Conference Room 308

Supporting HB 879 HD 1: Relating to the Hospital Sustainability Program.

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 879 HD 1, which modifies the Hospital Sustainability Program and extends its sunset for one year, to June 30, 2014.

The Legislature created this program last year by enacting Act 217. Recognizing that Medicaid payments are below the actual costs of care, this program 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.

This bill is the result of a collaborative effort between DHS and HAH. It is a bill that benefits Medicaid enrollees because it ensures access to quality care.

Thank you for the opportunity to testify in support of HB 879 HD 1.



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

"Touching Lives Everyday"

**House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair**

Wednesday, February 13, 2013
Conference Room 308
2:00 p.m.
Hawaii State Capitol

Testimony Strongly Supporting House Bill 879, HD1, Relating to the Hospital Sustainability Program. Amends Act 217, Session Laws of Hawaii 2012, to continue the Hospital Sustainability Program by extending the sunset date of the Act, updating the referral dates in the statute, and appropriating funds for the program for Fiscal Year 2013-2014.

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 strong support of HB 879, HD1, that continues the Hospital Sustainability Program.

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 nursing facilities is a good financing mechanism that leverages federal funds to increase the reimbursements to hospitals from the QUEST and QUEST Expanded Access (QEXA) programs.

As is common in other states that have implemented sustainability fee programs, the public hospitals of the Hawaii Health Systems Corporation are being exempted from the hospital sustainability fee. This is being done to maximize both the amount of federal funds that the private hospitals will receive through the hospital sustainability fee program and the amount of federal matching funds the public hospitals can receive under the State of Hawaii's Section 1115 waiver. As a matter of public policy, the public hospitals should be allowed to utilize their certified public expenditures to the maximum extent possible for their exclusive benefit as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds may be realized

and the private hospitals and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

Thank you for the opportunity to testify before this committee. We would respectively recommend the Committee's support of this measure.



REHABILITATION HOSPITAL OF THE PACIFIC

Rebuilding Lives Together

House Committee on Finance
Honorable Representative Sylvia Luke, Chair
February 13, 2013 at 2:00 p.m.
Conference Room 308

RE: Support HB 879 HD 1: Relating to the Hospital Sustainability Program

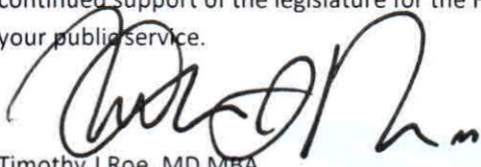
Thank you for your consideration of HB 879 HD 1: Relating to the Hospital Sustainability Program. As our entire community recognizes, Hawaii's healthcare system faces severe and unique challenges. One of the greatest challenges for hospitals in our state is meeting the needs of those of our patients relying on Medicaid for healthcare coverage.

Hawaii has one of the lowest rates of Medicaid reimbursement in the US, with Medicaid reimbursing only 70% of the cost of providing care to its beneficiaries. This inevitably results in reduced access to care for those most vulnerable in our community, including children and persons with disabilities. Nearly thirty percent of persons on Medicaid are under 65 and suffer from a disability. For them, Medicaid is a lifeline that is slipping away due to lack of funding.

For nearly sixty years, Rehabilitation Hospital of the Pacific has been dedicated to providing care to those who have suffered disabling illnesses or injuries. As the only provider of comprehensive inpatient and outpatient rehabilitation in Hawaii, we are committed to our role of serving as an advocate for the disabled persons of our state. For this reason, we at REHAB fully support the Hospital Sustainability Program.

The Legislature created this program last year by enacting Act 217. 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. This bill is the result of a collaborative effort between DHS and HAH. It is a bill that benefits Medicaid enrollees because it ensures access to quality care.

For the benefit of all the people of Hawaii, and particularly for those persons with disability, we request the continued support of the legislature for the Hospital Sustainability Program. Mahalo for your attention and for your public service.



Timothy J Roe, MD MBA
President & CEO
Rehabilitation Hospital of the Pacific