

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 22, 2013

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

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 879, H.D.2, S.D.1 - RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

Hearing: Friday, March 22, 2013; 9:05 a.m.
Conference Room 211, 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 for 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 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.

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.

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. 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.



55 Merchant Street
Honolulu, Hawai'i 96813-4333

HAWAI'I PACIFIC HEALTH
Kapi'olani • Pali Momi • Straub • Wilcox

808-535-7401
www.hawaiipacifichealth.org

Friday, March 22, 2013 – 9:05 am
Conference Room 211

The Senate Committee on Ways and Means

To: Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

From: David Okabe
Executive Vice President
Chief Financial Officer

**Re: HB 879 HD2, SD1 Relating to the Hospital Sustainability Program
Comments 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 879, HD2, SD1 which would 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 for fiscal year 2013-2014. This bill represents collaboration between the Department of Human Services and the Healthcare Association of Hawaii.

Recognizing that Medicaid payments were below the actual costs of care, the Hospital Sustainability Program increases Medicaid payments to hospitals by assessing a fee to hospitals, using the revenue to obtain matching federal Medicaid funds, and using the available funds to directly pay hospitals for the uncompensated cost of care provided to patients.

HPH was a participant in the Hospital Sustainability Program in response to the dire Medicaid reimbursement situation that all providers are confronting. HB 879, HD2, SD1 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

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: gcoleman@hah.org
Subject: Submitted testimony for HB879 on Mar 22, 2013 09:05AM
Date: Thursday, March 21, 2013 8:51:26 AM

HB879

Submitted on: 3/21/2013

Testimony for WAM on Mar 22, 2013 09:05AM in Conference Room 211

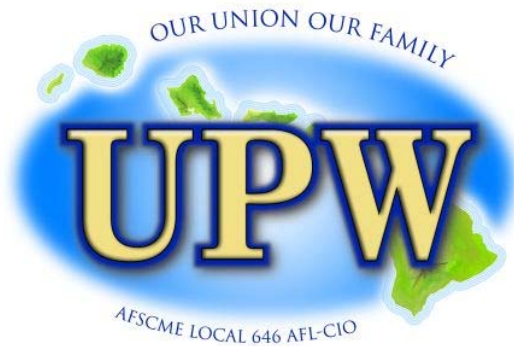
Submitted By	Organization	Testifier Position	Present at Hearing
George Greene	Healthcare Association of Hawaii	Comments Only	Yes

Comments: SENATE COMMITTEE ON WAYS AND MEANS Senator David Ige, Chair March 22, 2013 at 9:05 a.m. Conference Room 211 Supporting HB 879 HD 2 SD 1: Relating to the Hospital Sustainability Program. The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, a majority of home health agencies and hospices, as well as long term care facilities and other health care organizations. Our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to comment in support of HB 879 HD 2 SD 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 were 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 the Department of Human Services and the Healthcare Association of Hawaii. It is a bill that benefits Medicaid enrollees because it ensures access to quality care. Thank you for the opportunity to comment in support of HB 879 HD 2 SD 1.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



THE HAWAII STATE SENATE
The Twenty-Seventh Legislature
Regular Session of 2013

COMMITTEE ON WAYS & MEANS
The Honorable Sen. David Ige, Chair
The Honorable Sen. Michelle Kidani, Vice Chair

DATE OF HEARING: Friday, March 22, 2013
TIME OF HEARING: 9:05 a.m.
PLACE OF HEARING: Conference Room 211

**TESTIMONY ON HB879 HD2 SD1 RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW supports HB879 HD2 SD1 that amends Act 217, Session Laws of Hawaii 2012, to continue the Hospital Sustainability Program by extending the sunset date of the Act from 6/30/13 to 6/30/14, updating the referral dates in the statute, and appropriating funds for the program for Fiscal Year 2013-2014.

Thank you for the opportunity to testify on this measure.