



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 1, 2013

TO: The Honorable Della Au Belatti, Chair
House Committee on Health

The Honorable Mele Carroll, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

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

Hearing: Friday, February 1, 2013; 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the H.B. 879 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. The Hospital Sustainability 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 in 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 reimbursement 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 federal Centers for Medicare & Medicaid Services (CMS) to implement the hospital sustainability program 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 are expected to be made at the end of January 2013.

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.



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

"Touching Lives Everyday"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Dee Morikawa, Vice Chair

House Committee on Human Services
Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair

February 1, 2013
Conference Room 329
10:00 a.m.
Hawaii State Capitol

Testimony Strongly Supporting House Bill 879 Relating to the Hospital Sustainability Fee Program
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.

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 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 respectfully recommend the Committee's support of this measure.



HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. Mele Carroll, Chair

February 1, 2013 at 10:00 a.m.
Conference Room 329

Supporting HB 879: 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, 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 consist 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.

Testimony to the House Committees on Health and Human Services
Friday, February 1, 2013
10:00 a.m.
State Capitol - Conference Room 329

RE: HOUSE BILL NO. 879 RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM

Chairs Belatti and Carroll, Vice Chairs Morikawa and Kobayashi, and members of the committees:

The Chamber of Commerce of Hawaii **supports House Bill No. 879** relating to the Hospital Sustainability Program.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The Chamber commends the Legislature for playing an active role in passing legislation that appropriates money to match federal funds in the past couple of sessions. Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state’s economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii’s businesses. Also, Hawaii’s healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements to the quality of our health care system. They include legislation that will improve payments to health care providers of essential health care services and increase long term care capacity and access statewide. A provider fee would increase Medicaid payments at a time when constraints on the State budget have forced a reduction in payments and benefits. The additional federal funds obtained via the fee program would reduce the amount of losses incurred by hospitals and long term care facilities. As such, the provider fee would help to preserve access to health care for the Medicaid population and to preserve our health care system.

In light of the above, The Chamber of Commerce of Hawaii supports the passage of HB 879 for further discussion. Thank you for the opportunity to provide testimony.



THE QUEEN'S HEALTH SYSTEMS

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 691-5900

February 1, 2013

The Honorable Della Au Bellati, Chair
House Committee on Health
Hawaii State Capitol, Room 331

The Honorable Mele Carroll, Chair
House Committee on Human Services
Hawaii State Capitol, Room 405

H.B. 879, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

February 1, 2013, 10:00 a.m.

Thank you for the opportunity to provide testimony in strong support for H.B. 879, Relating to the Hospital Sustainability Program. My name is Paula Yoshioka, Senior Vice President for The Queen's Health Systems (QHS). This measure will extend the existing program for an additional year, as well as additional amendments to the funding distributions.

A "provider fee" authorizes collecting revenue from, in this case, inpatient hospitals. It is used as a mechanism to generate new in-state funds and then match them with federal funds, resulting in an increase realization of Medicaid dollars. The cost of the fee is promised back to providers through an increase in the Medicaid reimbursement rate for their patient treatment and services. 49 states in America now have established some type of Medicaid-related provider fee. The provider fee in Hawaii assists in stabilizing declining Medicaid payments to facilities and slows down the erosion of access to care for those beneficiaries served by the program. The additional federal funds that could be obtained via the fee program would reduce the amount of loss incurred by Hawaii's hospitals. In FY 11, it is estimated that Queen's cost for the unpaid cost of Medicaid was \$24.5 million.

The Queen's Health Systems has supported the efforts of the Healthcare Association of Hawaii in their collaborative efforts with the Department of Human Services to craft language that ensures a fair distribution of the realized federal funds.

We urge your support for this measure.