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March 28, 2013

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1102 – MAKING AN EMERGENCY APPROPRIATION TO
THE DEPARTMENT OF HUMAN SERVICES FROM THE
HOSPITAL SUSTAINABILITY PROGRAM SPECIAL FUND**

Hearing: Thursday, March 28, 2013; 2:00 p.m.
Conference Room 308, 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 monies to be used consistent with the Hospital Sustainability Program Special Fund, including the reimbursement of monies 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 monies received from fees that were deposited into it.

The DHS has used monies 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 monies already advanced and for the required supplemental payments for the rest of fiscal year 2012-2013.

The Hospital Sustainability Program was established through Act 217 in the 2012 legislative session. The program allows the DHS to assess fees on hospitals and utilize the monies received to draw down federal dollars for supplemental payments to hospitals in order to help offset their uncompensated care.

Without the authorization to expend monies 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 monies 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 FINANCE
Rep. Sylvia Luke, Chair

March 28, 2013 at 2:00 p.m.
Conference Room 308

Supporting SB 1102: Making an Emergency Appropriation to the Department of Human Services from the Hospital Sustainability Program Special Fund.

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 SB 1102, 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.

Specifically, 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. Although the fees and payments are different for every hospital, the overall goal of the program is being achieved. Medicaid payments to many facilities are now closer to the actual costs of care, thereby reducing their losses and improving their financial stability. As such, the Hospital Sustainability Program ensures that Medicaid patients will continue to have access to the hospital care that they need.

Unfortunately, it was discovered after the bill was passed that Act 217 did not include the technicality of an appropriation from the Hospital Sustainability Program Special Fund. In order to begin the Hospital Sustainability Program, the Department of Human Services used money from another fund as a temporary solution. SB 1102 will reimburse those moneys and enable the program to operate as envisioned.

For the foregoing reasons the Healthcare Association of Hawaii supports SB 1102.



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Thursday – March 28, 2013 – 2:00 pm
Conference Room 308

The House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Representative Aaron Johanson, Vice Chair

From: David Okabe
Executive Vice President
Chief Financial Officer

Re: **SB 1102 -- 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 writes in support of SB 1102 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.

Thank you.

