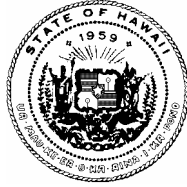


SB1110
TESTIMONY



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 8, 2013

TO: The Honorable Josh Green, M.D., Chair
Senate Committee on Health

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1110 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Friday, February 8, 2013; 2:00 p.m.
Conference Room 229, State Capitol

PURPOSE: The purpose of the S.B. 1110 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

Quality Healthcare For All

**Senate Committee on Health
Senator Josh Green, M.D., Chair
Senator Rosalyn H. Baker, Vice Chair**

**Senate Committee on Human Services
Senator Suzanne Chun Oakland,, Chair
Senator Josh Green, Vice Chair**

February 8, 2013
Conference Room 229
2:00 p.m.
Hawaii State Capitol

Testimony Strongly Supporting Senate Bill 1110, Relating to the Hospital Sustainability 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 SB 1110 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 nursing facilities 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 nursing facility sustainability fee. This is being done to maximize both the amount of

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federal funds that the private nursing facilities will receive through the nursing facility 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 nursing facilities 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.



SENATE COMMITTEE ON HEALTH

Senator Josh Green, Chair

SENATE COMMITTEE ON HUMAN SERVICES

Senator Suzanne Chun Oakland, Chair

February 8, 2013 at 2:00 p.m.

Conference Room 229

**Supporting SB 1110: Relating to the Hospital Sustainability Program and
SB 936: 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 two identical bills, SB 1110 and SB 936, which modify the Hospital Sustainability Program and extend its sunset date to June 30, 2014.

Recognizing that Medicaid payments to hospitals 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. As such, the fees and payments are different for every hospital. However, the goal of the program is being achieved. Medicaid payments to many facilities are now closer to the actual costs of care. As such, the Hospital Sustainability Program ensures that Medicaid patients will continue to have access to the hospital care that they need.

Thank you for the opportunity to testify in support of SB 1110 and SB 936.



**S.B. 1110, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM
S.B. 936, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

**Senate Committee on Health
Senate Committee on Human Services
February 8, 2013, 2:00 p.m.
Room 229**

Thank you for the opportunity to provide testimony in strong support for S.B. 1110 and S.B.936, Relating to the Hospital Sustainability Program. My name is Paula Yoshioka, Senior Vice President for The Queen's Health Systems (QHS). These measures 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.