



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 21, 2013

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 936, S.D.1 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Thursday, February 21, 2013; 9:00 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 or fiscal year 2013-2014.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this bill which is identical to the Administration's S.B. 1110 which was deferred. 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.

No general funds are needed for this 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 and second quarter's payments to private hospitals totaling \$38.8 million have been paid out this fiscal year.

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.

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.

Thank you for the opportunity to testify on this bill.



HAWAI'I PACIFIC HEALTH

55 Merchant Street
Honolulu, Hawai'i 96813-4333

Kapi'olani • Pali Momi • Straub • Wilcox

808-535-7401
www.hawaiipacifichealth.org

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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: SB 936, 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 SB 936, 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.

HPH was a participant in the Hospital Sustainability Program in response to the dire Medicaid reimbursement situation that all providers are confronting. Extending the sunset date and updating the referral dates 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 for the opportunity to provide these comments.

