

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 15, 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: **S.B. 936, S.D.2 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Friday, March 15, 2013; 10:30 a.m.
Conference Room 329, 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 bill. 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 and Medicaid Services (CMS) to implement the Hospital Sustainability Program. The first

and second quarter's payments totaling \$38.8 million to private hospitals have been paid out this fiscal year.

The Hospital Sustainability Program does not require general funds as a fee is levied on non-governmental hospitals and uses that revenue 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. The additional monies will increase the sustainability of hospitals in Hawaii to continue as a critical part of the safety net and increase access to necessary medical care.

The language contained in this bill was developed through the collaboration of the DHS and the Healthcare Association of Hawaii. The two parties were able to reach agreement on the provisions contained in this bill to continue the Hospital Sustainability Program.

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 the 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 and equipment.

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

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

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

Friday, March 15, 2013
Conference Room 329
10:30 a.m.
Hawaii State Capitol

Testimony Strongly Supporting Senate Bill 936, SD2, Amends Act 217, Session Laws of Hawaii 2012, to continue the Hospital Sustainability Program by extending the sunset date of the Act, updates the referral dates in the statute, and revises 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 936. SD2. 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.



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HAWAI'I PACIFIC HEALTH

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Friday – March 15, 2013 – 10:30 am
Conference Room 329

The House Committee on Health

To: Representative Della Au Belatti, Chair
Representative Dee Morikawa, Vice Chair

The House Committee on Human Services

To: Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice Chair

From: David Okabe
Executive Vice President
Chief Financial Officer

Re: SB 936, SD2 Relating to the Hospital Sustainability Program

Testimony in Support

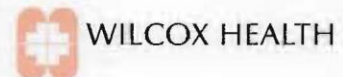
My name is David Okabe, Executive Vice President and Chief Financial Officer for Hawai'i Pacific Health (HPH). HPH is a nonprofit health care system and the state's largest health care provider anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Pali Momi Medical 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 is writing in support of SB 936, SD2 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. 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 this testimony.



Affiliates of Hawai'i Pacific Health

HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. Mele Carroll, Chair

March 15, 2013 at 10:30 a.m.
Conference Room 329

Supporting SB 936 SD 2: 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 testify in support of SB 936 SD 2, which makes adjustments to the Hospital Sustainability Program and extends 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. 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.

For the foregoing reasons the Healthcare Association of Hawaii supports SB 936 SD 2.



NORTH HAWAII
COMMUNITY HOSPITAL

HOUSE COMMITTEE ON HEALTH
Rep. Della Au Belatti, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. Mele Carroll, Chair

March 15, 2013 at 10:30 a.m.
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Supporting SB 936 SD 2: Relating to the Hospital Sustainability Program

Thank you for this opportunity to testify in support of SB 936 SD 2, which makes adjustments to the Hospital Sustainability Program and extends 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.

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For the foregoing reasons the North Hawaii Community Hospital supports SB 936 SD 2.