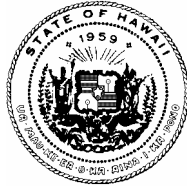


**SB936**  
**TESTIMONY**



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. 936 - 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 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 Administration bill S.B.1110 also being heard on this agenda. Hawaii residents benefit from the Hospital Sustainability Program by having more sustainable hospitals and thereby have increased access to necessary medical care.

The DHS respectfully requests that the Legislature support S.B. 1110 that was developed through the collaboration of the DHS and the Healthcare Association of Hawaii.

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 936, 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 936 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

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

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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 respectfully recommend the Committee's support of this measure.



**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.