

S.B. NO. 2843

JAN 23 2014

A BILL FOR AN ACT

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 36-27, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Except as provided in this section, and
4 notwithstanding any other law to the contrary, from time to
5 time, the director of finance, for the purpose of defraying the
6 prorated estimate of central service expenses of government in
7 relation to all special funds, except the:

- 8 (1) Special out-of-school time instructional program fund
9 under section 302A-1310;
- 10 (2) School cafeteria special funds of the department of
11 education;
- 12 (3) Special funds of the University of Hawaii;
- 13 (4) State educational facilities improvement special fund;
- 14 (5) Convention center enterprise special fund under
15 section 201B-8;
- 16 (6) Special funds established by section 206E-6;
- 17 (7) Housing loan program revenue bond special fund;
- 18 (8) Housing project bond special fund;

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- 1 (9) Aloha Tower fund created by section 206J-17;
- 2 (10) Funds of the employees' retirement system created by
- 3 section 88-109;
- 4 (11) Hawaii hurricane relief fund established under chapter
- 5 431P;
- 6 (12) Hawaii health systems corporation special funds and
- 7 the subaccounts of its regional system boards;
- 8 (13) Tourism special fund established under section 201B-
- 9 11;
- 10 (14) Universal service fund established under section 269-
- 11 42;
- 12 (15) Emergency and budget reserve fund under section 328L-
- 13 3;
- 14 (16) Public schools special fees and charges fund under
- 15 section 302A-1130;
- 16 (17) Sport fish special fund under section 187A-9.5;
- 17 (18) Glass advance disposal fee established by section
- 18 342G-82;
- 19 (19) Center for nursing special fund under section 304A-
- 20 2163;
- 21 (20) Passenger facility charge special fund established by
- 22 section 261-5.5;

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- 1 (21) Court interpreting services revolving fund under
2 section 607-1.5;
- 3 (22) Hawaii cancer research special fund;
- 4 (23) Community health centers special fund;
- 5 (24) Emergency medical services special fund;
- 6 (25) Rental motor vehicle customer facility charge special
7 fund established under section 261-5.6;
- 8 (26) Shared services technology special fund under section
9 27-43;
- 10 (27) Automated victim information and notification system
11 special fund established under section 353-136 [7];
12 [and]
- 13 [†] (28) [†] Deposit beverage container deposit special fund
14 under section 342G-104 [7]; and
- 15 (29) Hospital sustainability program special fund under Act
16 217, Session Laws of Hawaii 2012,
- 17 shall deduct five per cent of all receipts of all special funds,
18 which deduction shall be transferred to the general fund of the
19 State and become general realizations of the State. All
20 officers of the State and other persons having power to allocate
21 or disburse any special funds shall cooperate with the director
22 in effecting these transfers. To determine the proper revenue
23 base upon which the central service assessment is to be

1 calculated, the director shall adopt rules pursuant to chapter
2 91 for the purpose of suspending or limiting the application of
3 the central service assessment of any fund. No later than
4 twenty days prior to the convening of each regular session of
5 the legislature, the director shall report all central service
6 assessments made during the preceding fiscal year."

7 SECTION 2. Act 217, Session Laws of Hawaii 2012, as
8 amended by Act 141, Session Laws of Hawaii 2013, is amended by
9 amending section 2 as follows:

10 1. By amending the definitions of "net patient revenue"
11 and "private hospital" in section -3, Hawaii Revised
12 Statutes, to read as follows:

13 "Net patient service revenue" means gross revenue from
14 inpatient and outpatient care provided to hospital patients
15 converted to net patient revenue utilizing data from Worksheets
16 G-2 and G-3 of each hospital's medicare cost report for fiscal
17 year [~~2010-2011.~~] 2011-2012. If the hospital is new or did not
18 file a fiscal year medicare cost report, the department shall
19 obtain the hospital's net patient service revenue from the most
20 recent period available.

21 "Private hospital" means those non-public hospitals named
22 in attachment A of the medicaid section 1115 demonstration

1 waiver that were in operation in calendar year [~~2012~~] 2013 and
2 are currently operating."

3 2. By amending subsections (c) and (d) of section -5,
4 Hawaii Revised Statutes, to read as follows:

5 "(c) The hospital sustainability fee for inpatient care
6 services may differ from the fee for outpatient care services
7 but the fees shall not in the aggregate exceed three per cent of
8 net patient service revenue as derived from the hospital's
9 medicare cost report ending during state fiscal year [~~2010-~~
10 ~~2011-~~] 2011-2012. The inpatient hospital sustainability fee
11 shall be [~~2.365~~] 2.455 per cent of net inpatient hospital
12 service revenue. The outpatient hospital sustainability fee
13 shall be three per cent of net outpatient hospital service
14 revenue. Each fee shall be the same percentage for all affected
15 hospitals, subject to subsection (d).

16 (d) The department shall exempt children's hospitals,
17 federal hospitals, public hospitals, rehabilitation hospitals,
18 psychiatric hospitals, and any hospital that was not in
19 operation during any part of calendar year [~~2012~~] 2013 from the
20 hospital sustainability fees on inpatient services. In
21 addition, the department shall exempt hospitals with net
22 outpatient revenue of less than [~~\$42,500,000~~] \$50,000,000 per
23 year (based on fiscal year [~~2010-2011~~] 2011-2012 reports),

1 public hospitals, and any hospital that was not in operation
2 during any part of calendar year [~~2012~~] 2013 from the hospital
3 sustainability fee on outpatient care services."

4 3. By amending subsection (a) of section -10, Hawaii
5 Revised Statutes, to read as follows:

6 "(a) The department shall use moneys from the hospital
7 sustainability program special fund to make direct payments to
8 private hospitals in an amount equal to [~~\$81,309,367~~]
9 \$85,000,000 to cover the uncompensated care costs incurred by
10 private hospitals for serving medicaid and uninsured individuals
11 during state fiscal year [~~2013-2014.~~] 2014-2015."

12 4. By amending subsection (c) of section -10, Hawaii
13 Revised Statutes, to read as follows:

14 "(c) Each eligible hospital's quarterly payment shall be
15 equal to one-quarter of its uncompensated care costs for the
16 fiscal year in which payment is made, as derived from the
17 uncompensated care costs reported by all private hospitals for
18 fiscal year [~~2010-2011.~~] 2011-2012."

19 SECTION 3. Act 217, Session Laws of Hawaii 2012, as
20 amended by Act 141, Session Laws of Hawaii 2013, is amended by
21 amending section 5 to read as follows:

22 "SECTION 5. This Act shall take effect on July 1, 2012,
23 and shall be repealed on June 30, [~~2014,~~] 2015; provided that

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1 section ~~[-4-(e),]~~ -4, Hawaii Revised Statutes, in section 2
2 of this Act shall be repealed on December 31, ~~[2014.]~~ 2015."

3 SECTION 4. There is appropriated out of the hospital
4 sustainability program special fund the sum of \$50,000,000 or so
5 much thereof as may be necessary for fiscal year 2014-2015 with
6 such moneys to be used for the purposes of the hospital
7 sustainability program special fund.

8 The sum appropriated shall be expended by the department of
9 human services for the purposes of this Act.

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act, upon its approval, shall take effect
13 on June 29, 2014; provided that section 4 shall take effect on
14 July 1, 2014.

15
16 INTRODUCED BY: 

17 BY REQUEST

18

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Report Title:

Hospital Sustainability Program; Special Fund; Appropriation

Description:

Continues the Hospital Sustainability Program by extending the sunset date of the Act to June 30, 2015, updating the referral dates in the statute, and revising the funding amount for the Hospital Sustainability Program for fiscal year 2014-2015. Exempts the Hospital Sustainability Program Special Fund from the central service assessment.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

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JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

PURPOSE: To continue the Hospital Sustainability Program, established by Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013, by extending the sunset date of the Act, updating the referral dates in the statute, and appropriating funding out of the Hospital Sustainability Program Special Fund for fiscal year 2014-2015; and establish an exemption for the Hospital Sustainability Program Special Fund for central services expenses assessed under section 36-27, Hawaii Revised Statutes (HRS).

MEANS: Amend section 36-27(a), HRS, and amend sections 2 and 5 of Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013.

JUSTIFICATION: Act 217, Session Laws of Hawaii 2012, established the Hospital Sustainability Program and the Hospital Sustainability Program Special Fund. The Special Fund receives moneys from the hospital sustainability fees and federal Medicaid matching funds. The Special Fund is used to increase reimbursements to the hospitals. Act 141, Session Laws of Hawaii 2013, amended Act 217 by extending the repeal date by a year. Act 217, as amended by Act 141, is to be repealed on June 30, 2014. This bill proposes to extend the Hospital Sustainability Program for another year. Under this program, the fees levied on non-governmental hospitals are used to increase reimbursement to hospitals, with a greater benefit to those providing proportionately more services to Medicaid recipients and the uninsured. These additional moneys increase

the sustainability of hospitals in Hawaii to continue as a critical part of the health care safety-net.

In fiscal year 2012-2013, the hospitals were assessed \$40,103,774 in sustainability fees and received \$77,468,401 in additional reimbursements. In fiscal year 2013-2014, the providers will be assessed \$44,490,855 in sustainability fees and will receive additional reimbursements of \$81,309,367.

The 12 percent authorized to be retained for use by the Department was utilized for administrative expenses and to provide additional funding for expansion of specialized behavioral health services.

The 2012 Legislature, in conference committee, added an exemption for the Hospital Sustainability Program Special Fund from the departmental administrative expenses fees assessed under section 36-30, HRS. This ensures that any moneys received in fees are only used to increase the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients. The exemption from section 36-27, HRS, for central services expenses, however, was not added at the same time.

This bill proposes to also exempt the Hospital Sustainability Program Special Fund from the central services expenses assessed under section 36-27, HRS.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability Program would have to pay \$2,000,000 in central services expenses assessed under section 36-27 and \$3,900,000 for departmental administrative expenses assessed under section 36-30 for fiscal year 2013-2014. This is a total of \$5,900,000 that the Department would not be

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able to use to sustain hospitals and improve services to Medicaid recipients.

Impact on the public: Hawaii residents benefit by having more sustainable hospitals and, thereby, have increased access to necessary medical care. Health care services for low-income, vulnerable residents will be increased and improved.

Impact on the department and other agencies: The Department of Human Services will benefit by receiving some additional funds to support its programs. The Department of Budget and Finance will not be able to charge the Special Fund for central services expenses.

GENERAL FUND: None.

OTHER FUNDS: \$50,000,000 Hospital Sustainability Program Special Fund.

PPBS PROGRAM DESIGNATION: HMS 401.

OTHER AFFECTED AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: June 29, 2014.
Appropriation effective July 1, 2014.