



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 26, 2014

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Barbara A. Yamashita, Deputy Director

SUBJECT: **H.B. 2293, H.D.1 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Wednesday, February 26, 2014; 11:15 a.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of the bill is 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.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration measure to extend the Hospital Sustainability Program for another year. Continuing the Hospital Sustainability Program will benefit Hawaii residents by having more sustainable hospitals and increased access to necessary medical care.

Under this program, the fees levied on non-governmental hospitals is used 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 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 it is anticipated that the hospitals will be assessed \$44,490,855 in sustainability fees and will receive additional reimbursements of \$81,309,367.

Additionally, twelve percent of the revenues from the fees collected is to be used by the DHS for administrative expenses and to increase and improve services for Medicaid program recipients.

This bill proposes to also exempt the Hospital Sustainability Program Special Fund from the central service expenses assessed under section 36-27, HRS. The 2012 Legislature, in conference committee, added an exemption for the Hospital Sustainability Program Special Fund from the departmental administrative expenses 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.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability program would have to pay \$2 million in central services expenses assessed under section 36-27 and \$3.9 million for departmental administrative services expenses assessed under section 36-30 for fiscal year 2013-2014. This is a total of \$5.9 million which the Department would not be able to use to sustain hospitals and improve services to Medicaid recipients.

Thank you for the opportunity to testify on this bill.



HPCCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

The Hon. Aaron Ling Johnson, Vice Chair

Testimony on House Bill 2293, HD1
Relating to the Hospital Sustainability Program
Submitted by Robert Hirokawa, Chief Executive Officer
February 26, 2014, 11:15 a.m., Room 308

The Hawaii Primary Care Association supports HB 2293, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program by enacting Act 217, SLH 2012, which increases Medicaid payments to hospitals. The program achieves this 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. Payment is based on the amount of a hospital's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid.

Thank you for the opportunity to testify.



Wednesday– February 26, 2014 – 11:15am
Conference Room 308

The House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Support
HB 2293, HD1 — Relating to the Hospital Sustainability Program

The Healthcare Association of Hawaii (HAH) is a 116-member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for this opportunity to testify in strong support of HB 2293, HD1, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program by enacting Act 217, SLH 2012, which increases Medicaid payments to hospitals. The program achieves this 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.

HAH would like to thank Governor Abercrombie and the DHS for their collaboration with HAH and the healthcare community in ensuring the Hospital Sustainability Program's continued success. This

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Affiliated with the American Hospital Association, American Health Care Association, National Association for Home Care and Hospice,
American Association for Homecare and Council of State Home Care Associations

program is critical to ensuring that private hospitals can continue to provide quality healthcare for Medicaid patients in the state.

Thank you for the opportunity to testify in strong support of HB 2293, HD1.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 26, 2014 at 11:15 A.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 2293, HD1 RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2293, HD1 Relating to the Hospital Sustainability Program.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill helps the state and Hawaii hospitals utilize this program to leverage much needed federal dollars. A sustainable hospital network and health care industry is vital to the health of our employees, business and our overall quality of life.

Thank you for the opportunity to testify.



THE QUEEN'S HEALTH SYSTEMS

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 691-5900

H.B. 2293, HD1

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

House Committee on Finance

February 26, 2014, 11:15 a.m.

Thank you for the opportunity to provide testimony in strong support for H.B. 2293, HD1 Relating to the Hospital Sustainability Program. My name is Paula Yoshioka, Senior Vice President for The Queen's Health Systems (QHS). This measure will extend the existing program for an additional year.

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. 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 12, it is estimated that the cost for the unpaid cost of Medicaid was \$34 million for The Queen's Health Systems—which includes The Queen's Medical Center, Molokai General Hospital, and now also North Hawaii Community Hospital. The funds realized through the provider fee benefits our hospitals, to help to continue to provide healthcare for uninsured and underinsured residents and visitors throughout the State of Hawaii.

The Queen's Health Systems has supported the work 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.