



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

February 7, 2014

TO: The Honorable Mele Carroll., Chair  
House Committee on Human Services

The Honorable Della Au Belatti, Chair  
Senate Committee on Health

FROM: Patricia McManaman, Director

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

Hearing: February 7, 2014; 10:30 a.m.  
Conference Room 329, 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 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.

The Department respectfully requests two proposed changes to this bill: the in-patient hospital sustainability fee percentage should be changed from 2.455 to 2.175 for in-patient hospital service revenue (page 5, line 11) and the exemption for hospitals with net out-patient revenue should be changed from \$50,000,000 to \$45,000,000 (page 5, line 22).

Under this program, the fees levied on non-governmental hospitals is used to leverage federal funds 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, 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 Department of Human Services (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 services 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 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.

. Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability program would have to pay \$2.0 million in central services expenses assessed under section 36-27 and \$3.9 million for departmental administrative 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 use to sustain hospitals and improve services to Medicaid recipients.

Thank you for the opportunity to testify on this bill.



## THE QUEEN'S HEALTH SYSTEMS

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

### **H.B. 2293, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

**House Committee on Human Services**

**House Committee on Health**

**February 7, 2014, 10:30 a.m.**

Thank you for the opportunity to provide testimony in strong support for H.B. 2293, 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.



**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**House Committee on Human Services**

The Hon. Mele Carroll, Chair

The Hon. Betrand Kobayashi, Vice Chair

**House Committee on Health**

The Hon. Della Au Belatti, Chair

The Hon. Dee Morikawa, Vice Chair

**Testimony on House Bill 2293**

**Relating to the Hospital Sustainability Program**

**Submitted by Robert Hirokawa, Chief Executive Officer**

**Friday, February 7, 2014, 10:30 a.m., Room 329**

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.





**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N  
*Quality Healthcare For All*

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

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

Friday, February 7, 2014  
Conference Room 329  
10:30 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 2293, Relating to the Hospital Sustainability Program. 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 central services expenses assessment.**

Alice M. Hall  
Acting 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 HB 2293 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. Since the sustainability fee program was put into place, the public hospitals have been able to fully 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 has been realized and the private nursing facilities and the public hospitals as a whole are receiving greater reimbursements than before the sustainability program was implemented.

Thank you for the opportunity to testify before this committee. We respectfully recommend the Committee's support of this measure.



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**Friday – February 7, 2014 – 10:30am**  
**Conference Room 329**

**The House Committee on Human Services**

To: Rep. Mele Carroll, Chair  
Rep. Bertrand Kobayashi, Vice Chair

**The House Committee on Health**

To: Rep. Della Au Belatti, Chair  
Rep. Dee Morikawa, Vice Chair

From: George Greene  
President & CEO  
Healthcare Association of Hawaii

**Re: Testimony in Strong Support**  
**HB 2293 — 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, 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.

In reviewing the Governor's bills relating to Hospital Sustainability—HB 2293 and SB 2843—HAH noted differences between those bills and SB 2056, which is HAH's Hospital Sustainability bill. In collaboration with the Department of Human Services (the DHS), HAH and the DHS agreed to proposed changes to the figures in section 2 of HB 2293 to reflect our collective agreement and understanding of the appropriate financial model underlying the Hospital Sustainability Program for the fiscal year 2014-2015.

Specifically, HAH and the DHS would like to request two amendments to HB 2293. First, HAH and the DHS respectfully request an amendment to section 1.2 [which amends § --5(c) of §2 of Act 217, SLH 2012, as amended by Act 141, SLH 2013] by deleting "2.365" and inserting "2.175" on page 5, line 11:

The inpatient hospital sustainability fee shall be ~~2.365~~ 2.175 per cent of net inpatient hospital service revenue. The outpatient hospital sustainability fee shall be three per cent of net outpatient hospital service revenue.

Additionally, HAH and the DHS request an amendment to section 2.2 [which amends § --5(d) of §2 of Act 217, SLH 2012, as amended by Act 141, SLH 2013] by deleting "\$42,500,000" and inserting "\$45,000,000" on page 5, line 22:

In addition, the department shall exempt hospitals with net outpatient revenue of less than ~~[\$42,500,000]~~ \$45,000,000 per year (based on fiscal year ~~[2010-2011]~~ 2011-2012 reports), public hospitals, and any hospital that was not in operation during any part of calendar year ~~[2012]~~ 2013 from the hospital sustainability fee on outpatient care services.

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



**Testimony to the House Committee on Human Services and Committee on  
Health**

**Friday, February 7, 2014 at 10:30 A.M.  
Conference Room 329, State Capitol**

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

Chairs Carroll and Belatti, Vice Chairs Kobayashi and Morikawa, and Members of the  
Committees:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2293 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.