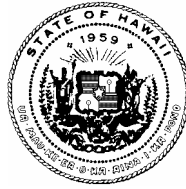


NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR

BARBARA A. YAMASHITA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 20, 2014

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Barbara Yamashita, Deputy Director

SUBJECT: **S.B. 2056, S.D.1 - RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Thursday, February 20, 2014; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of this 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) supports this measure as it proposes to extend the Hospital Sustainability Program for another year.

The DHS has worked collaboratively with the Healthcare Association of Hawaii and the Hawaii Long Term Care Association on language included in this measure and the following proposed changes.

The Department respectfully requests two proposed changes to this bill:

- Page 2, line 7, the fee percentage should be changed from 2.455 to 2.175 percent of net inpatient hospital service revenue;
- Page 2, line 18, the net outpatient revenue of less than \$42,500,000 should be changed to \$45,000,000.

Should there be any other differences between this measure and the Administration bill S.B. 2843, the DHS respectfully requests that the Legislature refer to the language in S.B. 2843.

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 feeds 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 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 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.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Thursday, February 20, 2014 at 9:00 A.M.
Conference Room 211, State Capitol**

LATE

**RE: SENATE BILL 2056, SD1 RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 2056, SD1 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 health and 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.



HPCA

HAWAII PRIMARY CARE ASSOCIATION



Senate Committee on Ways and Means

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

Testimony on Senate Bill 2056
Relating to the Hospital Sustainability Program
Submitted by Robert Hirokawa, Chief Executive Officer
February 20, 2014, 9:00 a.m., Room 211

The Hawaii Primary Care Association supports SB 2056, 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.