



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2014**

ON THE FOLLOWING MEASURE:

S.B. NO. 2056, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

BEFORE THE:

SENATE COMMITTEES ON HEALTH AND ON HUMAN SERVICES

DATE: Monday, February 3, 2014 **TIME:** 1:20 p.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): David M. Louie, Attorney General, or
Lee-Ann N.M. Brewer, Deputy Attorney General

Chairs Green and Chun Oakland and Members of the Committees:

The Attorney General provides the following comments on this measure.

This measure extends the sunset date of the hospital sustainability program, appropriates funds for fiscal year 2014-2015, exempts the hospital sustainability program special fund from central services expenses, and makes other non-substantive amendments. There are some technical issues with this measure as drafted, which have already been addressed in two administration measures, Senate Bill No. 2843 and House Bill No. 2293 (HMS-05(14)).

In section 2 of Act 217, Session Laws of Hawaii 2012 (Act 217), as amended by Act 141, Session Laws of Hawaii 2013 (Act 141), section -4(c), Hawaii Revised Statutes (HRS), directs how the hospital sustainability program special fund will be used, including disbursement of any money remaining in the special fund six months after the repeal of the chapter. As currently drafted, only this subsection (c) is subject to the extended repeal date of December 31, 2015.

However, other portions of section -4, HRS, that create and fund the hospital sustainability program special fund are necessary for the section -4(c) disbursement provisions to have effect, but will be repealed on June 30, 2015, instead of December 31, 2015.

Section -4(d), HRS, which addresses funding of supplemental payments to state hospitals, will also not be preserved until the extended repeal date of December 31, 2015.

Accordingly, in section 2 of the measure, which amends section 5 of Act 217, as amended by Act 141, the reference to section -4(c) should be bracketed and stricken, and the section number "-4" be inserted and underlined. This will ensure that, through December 31, 2015, the hospital sustainability program special fund is available to receive and disburse money,

and the State authorized to utilize intergovernmental transfers to effectuate increased reimbursement to state hospitals. The amendment to section 5 of Act 217, as amended by Act 141, should, therefore, read as follows:

"SECTION 5. This Act shall take effect on July 1, 2012, and shall be repealed on June 30, [~~2014;~~ 2015; provided that section [~~4(e);~~ 4, Hawaii Revised Statutes, in section 2 of this Act shall be repealed on December 31, [~~2014;~~ 2015."

We respectfully request that these Committees amend the bill as suggested above or, in the alternative, hold this bill and instead utilize Senate Bill No. 2843 to accomplish the same purpose.



Monday – February 3, 2014 – 1:20pm
Conference Room 229

The Senate Committee on Health

To: Senator Josh Green, Chair
Senator Rosalyn H. Baker, Vice Chair

The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Strong Support
SB 2056 — 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 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.

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—SB 2843 and HB 2293—HAH noted differences between those bills and SB 2056. In collaboration with the Department of Human Services (the DHS), HAH and the DHS agreed to proposed changes to the figures in section 1 of SB 2056 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 SB 2056. 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 2, line 7:

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 1.2 [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 2, line 18:

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 SB 2056.



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Monday – February 03, 2014 – 1:20pm
Conference Room 226

The Senate Committee on Health

To: Senator Josh Green, Chair
Senator Rosalyn H. Baker, Vice Chair

The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair

From: David Okabe
Executive Vice President
Chief Financial Officer

Re: SB 2056

Relating to the Hospital Sustainability Program

Testimony in Support

My name is David Okabe, Executive Vice President and Chief Financial Officer for Hawai'i Pacific Health (HPH). HPH is a nonprofit health care system and the state's largest health care provider anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital on Kauai. HPH is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 49 outpatient clinics and service sites, more than 6,300 employees and 1,300 physicians on staff.

HPH is writing in support of SB 2056 which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

HPH is a participant in the Hospital Sustainability Program in response to the dire Medicaid reimbursement situation that all providers are confronting. This emergency appropriation will ensure continued timely payments to the hospitals and will ensure that there will be no disruption in the provision of medically necessary services to program recipients.

We also ask that you pass SB 2056 with the suggested amendments proposed by the Healthcare Association of Hawaii (HAH) which reflects the collective agreement and understanding of the appropriate financial model underlying the Hospital Sustainability Program for the fiscal year 2014-2015. Thank you for the opportunity to testify in support of SB 2056.

