

STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

February 3 2014

TO: The Honorable Josh Green, M.D., Chair  
Senate Committee on Health

The Honorable Suzanne Chun Oakland, Chair  
Senate Committee on Human Services

FROM: Patricia McManaman, Director

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

Hearing: February 3, 2014; 1:20 p.m.  
Conference Room 229, 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 supports this measure as it proposes to extend the Hospital Sustainability Program for another year.

The Administration bill, S.B. 2843, also proposes to extend the Hospital Sustainability Program. The DHS has worked collaboratively with the Healthcare Association of Hawaii and the Hawaii Long Term Care Association on language included in S.B. 2843. Should there be any

differences between this measure and 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 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.

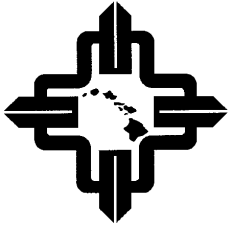
Additionally, twelve percent of the revenues from the fees collected is to be used by the Department of Human Services (DHS) for administrative expenses and to increase and improve services for Medicaid program recipients.

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.



## **HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

**Senate Committee on Health  
Senator Josh Green, M.D., Chair  
Senator Rosalyn H. Baker, Vice Chair**

**Senate Committee on Human Services  
Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, Vice Chair**

Monday, February 3, 2014  
Conference Room 229  
1:20 p.m.  
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 2056, Relating to the Hospital Sustainability Program. Amends Act 217, Session Laws of Hawaii 2013, to continue the Hospital Sustainability Program by extending the sunset date of the Act, updating the referral dates in the statute, and to revise the funding amount for the hospital sustainability program for fiscal year 2014-2015. Exempts the hospital sustainability program special fund from central services expenses assessed under section 36-27, Hawaii Revised Statutes.**

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 SB 2056 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.



**S.B. 2056, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

**Senate Committee on Health**

**Senate Committee on Human Services**

**February 3, 2014, 1:20pm**

Thank you for the opportunity to provide testimony in strong support for S.B. 2056, 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.