

Honolulu, Hawaii

February 19, 2016

RE: H.B. No. 1941

H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 1941  
entitled:

"A BILL FOR AN ACT RELATING TO THE HOSPITAL SUSTAINABILITY  
PROGRAM,"

begs leave to report as follows:

The purpose of this measure is to preserve access to health  
care for Medicaid recipients by:

- (1) Extending the Hospital Sustainability Program for an  
additional year;
- (2) Amending the authorized uses of the Hospital  
Sustainability Program Special Fund;
- (3) Amending various reimbursement rates under the Hospital  
Sustainability Program to private hospitals through  
Medicaid managed care health plans, and uncompensated  
care and disproportionate share hospital payments; and
- (4) Appropriating funds out of the Hospital Sustainability  
Program Special Fund for fiscal year 2016-2017.

The Hawaii Health Systems Corporation Corporate Board of  
Directors, Healthcare Association of Hawaii, Hawaii Primary Care  
Association, The Chamber of Commerce Hawaii, and The Queen's  
Health Systems testified in support of this measure. The



Department of Human Services and Hawaii Medical Service Association commented on this measure.

Your Committee has amended this measure by:

- (1) Amending the definition of "private hospitals" to include any hospitals not named in Attachment A of the Medicaid Section 1115 Demonstration Waiver that became private hospitals in calendar year 2016 and are currently operating;
- (2) Specifying that rate enhancements shall be retroactive to the effective date of this measure, or the effective date approved by the federal government, whichever is later;
- (3) Deleting the specified number of business days in which payments made by Medicaid managed care health plans must be made upon receipt of monthly capitation rates from the Department of Human Services;
- (4) Changing the effective date of the appropriation under section 7 of this measure to July 1, 2070, to further continued discussion; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee finds that the federal Patient Protection and Affordable Care Act levies an insurer tax on the premiums collected by issuers, including Medicaid plans. It is your Committee's understanding that capitation rates provided to each QUEST managed care plan currently includes moneys to reimburse the plan for its insurer tax liability. However, the reimbursement for the insurer tax liability is not specified via contract. To ensure equity in the administration of Hawaii's Medicaid program, it is the intent of your Committee that additional tax liabilities associated with the result of passage of this legislation be accounted for in a plan's capitation rate.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1941, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1941, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Health,

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DELLA AU BELATTI, Chair



