

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 16, 2016

TO: The Honorable Della Au Bellatti, Chair
The House Committee on Health

FROM: Rachael Wong, DrPH, Director

SUBJECT: HB 1941 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

Hearing: Tuesday, February 16, 2016, 9:15 a.m.
Conference Room 329, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the bill and provides comments.

PURPOSE: The purpose of the bill is to continue the hospital sustainability program for one year and to appropriate funds out of the hospital sustainability program special fund for fiscal year 2016-2017. Amends various reimbursement rates under the program to certain private hospitals through Medicaid managed care health plans, uncompensated care and disproportionate share hospital payments.

The Department appreciates and supports the intent of the bill to continue the hospital sustainability program for an additional year, and amend the program by adding additional uses of the hospital sustainability state of Hawaii special fund.

We would like to suggest several provisions that may need to be amended. We have engaged in dialogue with stakeholders regarding this program, and look forward to continued discussions on any necessary amendments.

The definition of "private hospital" references non-public hospitals in an appendix of the "Medicaid section 1115 demonstration waiver that were in operation in calendar year[2014] 2015." However, if a hospital not currently listed as private in calendar year 2015 were to

become a private hospital during the upcoming year that change would not be reflected in this definition. We suggest amending language similar to the Senate amended version, SB 2330 SD 1, at Section 2, 1 in the definition of private hospitals, adding “or 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.”

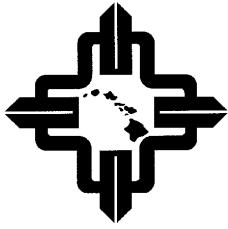
In addition, in Section 2, 3 (d) would exempt public hospitals from paying the inpatient or outpatient hospital sustainability fee if they were public in calendar year 2015. Thus, any facility that was a public hospital at any point in calendar year 2016, would not be subject to the fee. A possible suggestion would be to delete the exemption for any hospital that was not in private operation during any part of the calendar year, 2015.

In Section 1, the purpose of the hospital sustainability special fund states that the fee shall be used for four main purposes, including a private uncompensated care hospital pool for uninsured individuals. However, the federal authority to operate such a pool will not be in place during FY 2016-17. Thus, we suggest either removing this provision, or revising the language to allow for flexibility to use the funds for any of the four provisions listed, not necessarily for each provision.

Section 4 (b)(4) states that the rate enhancements shall be retroactive to the effective date of the act. Since this will be dependent on obtaining federal approvals for the rate enhancements, we suggest that a provision be added to this section that “the effective date shall be retroactive to the date of the Act, or the effective date approved by federal government, whichever is later.”

Section 4 (b)(5) of the bill adds the requirement that payments be made to the hospitals within ten business days upon receipt of the capitation rate. While DHS Med-QUEST supports the timely provision of payment, there may be instances when it is not possible to pay within that specified time period. We respectfully suggest some flexibility should be included in this provision.

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"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan, Vice Chair

House Committee on Human Services
Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair

February 16, 2016
Conference Room 329
9:15 a.m.
Hawaii State Capitol

Testimony Supporting House Bill 1941 Relating to the Hospital Sustainability Program

Continues the hospital sustainability program for one year. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2016-2017.

Amends various reimbursement rates under the program to certain private hospitals through medicaid managed care health plans, and uncompensated care and disproportionate share hospital payments.

Linda Rosen, M.D., M.P.H.
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 1941 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 hospitals from the MedQUEST 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 hospital sustainability program. This is being done to maximize both the amount of

federal funds that the private hospitals will receive through the hospital sustainability fee program and the amount of federal matching funds the public hospitals can receive under the MedQUEST program. As a matter of public policy, the public hospitals should be allowed to 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 may be realized and the private hospitals and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

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



**February 16, 2016 at 9:15 AM
Room 329**

House Committee on Health

To: Chair Della Au Belatti
Vice Chair Richard P. Creagan

From: George Greene
President and CEO
Healthcare Association of Hawaii

**Re: Testimony in Support
HB 1941, Relating to the Hospital Sustainability Program**

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 180 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

We would like to thank the committee for the opportunity to testify in **support** of HB 1941. This legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals to offset some of the losses they incur taking care of the most underserved in our state. HAH's proposed legislation would extend the program through June 30, 2017, and make other adjustments to the program as necessary.

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 improves Medicaid payments to hospitals. The program achieves this increase by assessing a fee on hospitals based on their patient revenue. The funds generated by those fees are then used to obtain additional federal Medicaid funds, which are deposited in the hospital sustainability program special fund and distributed back to private hospitals. Payment back to facilities is based on the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving under- and uninsured patients. Importantly, no state funds are contributed to the hospital sustainability program.

Because of this program, Medicaid payments are now closer to the actual costs of care, thereby reducing losses and improving the financial stability of our hospital system. The program made it possible for hospitals to cover 86 percent of their costs related to Medicaid patients, up from 75 percent without the program. It is clear that the Hospital Sustainability Program helps to ensure that Medicaid patients will maintain access to needed hospital care.

We would like to offer that it is our understanding that the capitation rates paid to plans is intended to fund the plans appropriately for the costs of insurer assessment fee levied by the *Affordable Care Act*, including any tax liability expenses. We would also note that this fee was suspended for the year of 2017 as part of the budget agreement passed by the U.S. Congress in December 2015.

HAH would respectfully ask for two amendments. First, we would request that section 5 be amended at page 12, line 17 to maintain the date December 31, 2016. The current version would change the date to read December 31, 2017, but the update is not necessary.

Second, we would respectfully request that section 6 at page 13, lines 1-15 be removed. This section was included as part of last year's bill as clarifying language, but we do not believe that it has to be updated or amended this year.

We appreciate your consideration of this important matter, and urge your support of this measure.



HPCCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Human Services

The Hon. Dee Morikawa, Chair

The Hon. Bertrand Kobayashi, Vice Chair

House Committee on Health

The Hon. Della Au Belatti, Chair

The Hon. Richard P. Creagan, Vice Chair

Testimony on House Bill 1941

Relating to the Hospital Facility Sustainability Program

Submitted by Dustin Stevens, Public Affairs and Policy Director

February 16, 2016, 9:15 am, Room 329

The Hawaii Primary Care Association supports House Bill 1941, which continues the Hospital Sustainability Program.

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.

Recognizing the vital role that hospitals play in Hawaii's healthcare infrastructure, the HPCCA supports this measure and thanks you for the opportunity to testify.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Human Services and Committee on Health
Tuesday, February 16, 2016 at 9:15 A.M.
Conference Room 329, State Capitol**

RE: HOUSE BILL 1941 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

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

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1941, which continues the hospital sustainability program for one year. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2016-2017. Amends various reimbursement rates under the program to certain private hospitals through medicaid managed care health plans, and uncompensated care and disproportionate share hospital payments.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 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.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Della Au Belatti, Chair, Committee on Health
The Honorable Richard P. Creagan, Vice Chair, Committee on Health
Members, Committee on Health

From:  Paula Yoshioka, Senior Vice President, The Queen's Health Systems

Date: February 12, 2016

Hrg: House Committee on Human Services and House Committee on Health Joint Committee
Hearing; Tuesday, February 16, 2016 at 9:15am in Room 329

Re: **Support for HB 1941, Relating to the Hospital Sustainability Program**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems (QHS). I would like to express my **strong support** for HB 1941, Relating to the Hospital Sustainability Program. This bill would reauthorize the Hospital Sustainability Program for an additional year.

For several years, hospitals have faced declining federal payments for providing uncompensated care to high need populations. The Hospital Sustainability Program assists hospitals in mitigating the losses for providing critical health care services. The program does so by issuing a fee to hospital providers in the state of Hawaii, including QHS. The funds generated by this fee are used by the state to obtain matching federal Medicaid funds, which are reallocated back to private hospitals.

Annually, QHS provides community benefits in excess of \$90 million for care and other community need programs that are unfunded or underfunded. The Hospital Sustainability Program helped QHS offset a portion of those costs.

We would respectfully request two minor changes to the bill. We ask that section 5 at page 12, line 17 to maintain the date December 31, 2016. While the current version changes the date to December 31, 2017, such a change is not necessary. Secondly, we request that section 6 at page 13, lines 1-15 be removed. This section was added to last year's bill as clarifying language, but we do not believe that it has to be updated or amended this year.

We concur with the testimony provided by the Healthcare Association of Hawaii (HAH) and I ask that you support the continuation of the Hospital Sustainability Program.

Thank you for your time and consideration of this matter.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.



An Independent Licensee of the Blue Cross and Blue Shield Association

February 16, 2016

The Honorable Dee Morikawa, Chair
House Committee on Human Services
The Honorable Della Au Belatti, Chair
House Committee on Health

Re: HB 1941 – Relating to the Hospital Sustainability Program

Dear Chair Chun Morikawa, Chair Au Belatti, and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1941, which appropriate funds for the Hospital Sustainability Program and amends the Program reimbursement rates for private hospitals. HMSA support the intent of the Bill, but we have concerns with the Bill as drafted

HMSA certainly appreciates and supports the concept behind the Hospital Sustainability Program. That said, the draft of this Bill raises concerns for health plans. Of particular concern is the provision on Page 11, Lines 12 thru 15, which requires

(5) Payments made by the medicaid managed care health plans shall be made within ten business days upon receipt of monthly capitation rates from the department.

We are concerned about how this requirement may be effectively executed. Under this Bill, plans would estimate the amount of funds that should be paid each month to hospitals because plans are not provided the specific amount to pay. It is unclear as to who will advise health plans on how much to pay each hospital when the plans receive their monthly payments. Given these difficulties, we ask the Committee to consider amending the language to allow for a 30-day timeframe.

An additional concern is the ACA Insurer Tax liability on the funding the health plans receive. These amounts are included in the Internal Revenue Service ACA Insurer Tax assessment and the plan's federal tax liability. The MedQUEST Division informs us that, under current funding assumptions, the value of the ACA tax liability is included in the funding plans receive. We are concerned that, absent a specific contract provision specifying reimbursement for the tax liability, there is no guarantee that plans will continue to receive reimbursement for the tax liability. The problem would be exacerbated as additional "pass through" monies are added to the capitation rates.

To address this concern, we ask that the Committee consider a committee report provision, such as the following, reflecting the intent that the value of the health plans' tax liability be incorporated into the plans' capitation rates:

Your Committee finds that the Affordable Care Act's levies an Insurer Tax on the premiums collected by issuers, including Medicaid plans. It is your Committee's



An Independent Licensee of the Blue Cross and Blue Shield Association

understanding that capitation rates provided to each QUEST managed care plan currently includes monies 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 additional tax liabilities associated with the result of passage of this legislation be accounted for in a plan's capitation rate.

Thank you for allowing us to testify on HB 1941. Your consideration of our concerns is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "JD", with a long horizontal flourish extending to the right.

Jennifer Diesman
Vice President, Government Relations