



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 29, 2016

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Rachael Wong, DrPH, Director

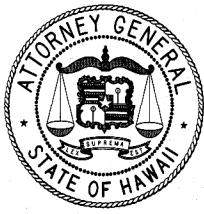
SUBJECT: **SB 2330 SD 2 HD 1 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**
Hearing: Wednesday, March 30, 2016, 3:00 pm
Conference Room 308, State Capitol

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

PURPOSE: The purpose of the bill is to preserve access to health care for Medicaid recipients by extending the hospital sustainability program.

The Department of Human Services (DHS) 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 program special fund. The Department has worked closely with all stakeholders. Thus, we are able to support the bill given the HD 1 amendments which provided the needed flexibility for the Department to implement the significant changes to the Hospital Sustainability program.

Thank you for the opportunity to testify on this bill.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2016**

ON THE FOLLOWING MEASURE:

S.B. NO. 2330, S.D. 2, H.D. 1, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Wednesday, March 30, 2016 **TIME:** 3:00 p.m.

LOCATION: State Capitol, Room 308

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

Chair Luke and Members of the Committee:

The Department of the Attorney General provides comments on Senate Bill No. 2330, Senate Draft 2, House Draft 1, which continues the hospital sustainability program for one year, amends the definition of “private hospital,” changes the amount of the hospital sustainability fee and mechanisms for disbursing the funds, and makes an appropriation out of the hospital sustainability program special fund (the special fund) for fiscal year 2016-2017.

The Centers for Medicare and Medicaid Services (CMS) granted the Department of Human Services (the Department) a waiver of the broad-based requirements under section 1903(w)(3)(E) of the Social Security Act, effective July 1, 2013. This allowed the Department to exempt children’s, psychiatric, and rehabilitation hospitals from some or all of the fees, and assess the fee at a rate of 2.365 percent for net 2011 inpatient hospital revenue and three percent of net 2011 outpatient hospital revenue. The hospital sustainability fee was, therefore, found to be “generally redistributive” as required under 42 C.F.R. § 433.68(e)(1).

The rate imposed on net inpatient hospital revenues has varied slightly over the last three years, and is currently 1.892 percent. House Draft 1 of the bill deletes the exemption of rehabilitation hospitals from the inpatient hospital sustainability fee, and changes the rate of the hospital sustainability fee on net inpatient hospital service revenue from the current 1.892 percent to “not to exceed three per cent.” House Draft 1 also exempts certain hospitals with net outpatient revenue of less than \$57,000,000 per year from the hospital sustainability fee on outpatient services, based upon fiscal year 2013-2014 cost reports, which is an increase from the

current threshold of \$50,000,000. These factors may affect the calculations upon which the initial CMS waiver of the broad-based requirements were based, and the Department may therefore need to obtain an updated waiver of the broad-based provisions from CMS.

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 Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair**

March 30, 2016
Conference Room 308
3:00 p.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 2330, SD 2, HD 1 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

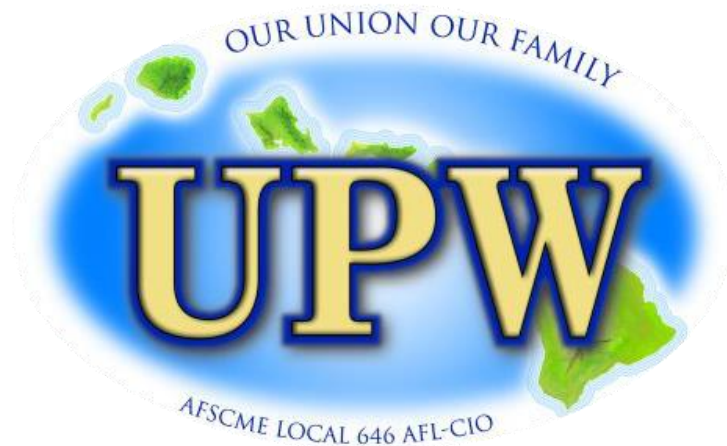
On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of Senate Bill 2330, SD 2, HD 1, that continues the Hospital Sustainability Program.

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 respectively recommend the Committee's support of this measure.



The Hawaii State House of Representatives
The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON FINANCE

Representative Sylvia J. Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

DATE OF HEARING: Wednesday, March 30, 2016

TIME OF HEARING: 3:00 p.m.

PLACE OF HEARING: Conference Room 308

TESTIMONY ON SB2330, SD2, HD1 RELATING TO HOSPITAL SUSTAINABILITY PROGRAM

By Dayton M. Nakanelua,
State Director of the United Public Workers,
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

SB2330, SD2, HD1 continues the hospital sustainability program for one additional year. This will preserve access to health care to Medicaid patients. The bill also 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 UPW supports this measure.

Thank you for opportunity to submit this testimonny.



March 30, 2016 at 3:00 PM
Conference Room 308

House Committee on Finance

To: Chair Sylvia Luke
Vice Chair Scott Y. Nishimoto

From: George Greene
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB 2330 SD 2 HD 1, 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 **support** SB 2330 SD 2 HD 1. 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 appreciate your consideration of this important matter, and urge your support of this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Y. Nishimoto, Vice Chair, Committee on Finance
Members, Committee on Finance

From: Jason Chang, Executive Vice President & Chief Operating Officer of The Queen's Health Systems and The Queen's Medical Center

Date: March 29, 2016

Hrg: House Committee on Finance Hearing; Wednesday, March 30, 2016 at 3:00 p.m. in Room 308

Re: **Support for SB 2330, SD2, HD1 Relating to the Hospital Sustainability Program**

My name is Jason Chang, and I am the Executive Vice President and Chief Operating Officer of The Queen's Health Systems (QHS) and The Queen's Medical Center. I would like to express my **strong support** for SB 2330, SD2, HD1 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.

I ask that you support this legislation and the continuation of the Hospital Sustainability Program.

Thank you for your time and consideration of this matter.

March 30, 2016 at 3:00 PM
Conference Room 308

House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: SB 2330, SD2, HD1 - Testimony in Support

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

HPH **supports** SB 2330, SD2, HD1 which continues the hospital sustainability program for one additional year and amends various reimbursement rates under the 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 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.

Thank you very much for the opportunity to testify on this measure.



HPCA

HAWAI'I PRIMARY CARE ASSOC

House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice-Chair

Testimony on Senate Bill 2330, SD2, HD1
Relating to the Hospital Facility Sustainability Program
Submitted by Dustin Stevens, Public Affairs and Policy Director
March 14, 2016, 3:00 pm, Room 308

The Hawaii Primary Care Association supports Senate Bill 2330, 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 HPCA 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 Finance
Wednesday, March 30, 2016 at 3:00 P.M.
Conference Room 308, State Capitol**

**RE: SENATE BILL 2330 SD 2 HD 1 RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2330 SD 2 HD 1, 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.



**TESTIMONY IN SUPPORT OF:
SENATE BILL 2330, SD2 HD 1
RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

by
Stephen A. Kula, Ph.D., NHA
President and CEO
Legacy of Life Hawaii

House Committee on Finance
Senator Sylvia Luke, Chair
Senator Scott Nishimoto, Vice Chair

Wednesday, March 30; 3:00 PM
State Capitol, Conference Room 308

Chair Luke, Vice Chair Nishimoto, and members of the House Committee on Finance:

As a member of the Healthcare Association of Hawaii (HAH), Legacy of Life Hawaii stands in strong support of SB2330 SD 2, HD1. HAH's proposed legislation would extend the program through June 30, 2017, and make other adjustments as needed.

The Hospital Sustainability Program (Act 217, SLH 2012) has helped to improve Medicaid payments to hospitals. Because of this program, Medicaid payments are now closer to the actual costs of care, reducing losses and improving the financial stability of our hospital system. The program has 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 has helped to ensure Medicaid patients maintain access to needed hospital care.

Legacy of Life Hawaii appreciates your consideration of this important matter, and urges your support of this measure.

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legacyoflifehawaii.org

