

**STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES**

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

March 1, 2015

TO: The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: **S.B. 806, SD 1 - RELATING TO THE HOSPITAL
SUSTAINABILITY PROGRAM**

Hearing: Monday, March 2, 2015; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to continue the Hospital Sustainability Program, by extending the sunset date of the Act to June 30, 2016, updating the referral dates in the statute, and revising the funding amount for the Hospital Sustainability Program Special Fund for fiscal year 2015-2016.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides comments on this measure to extend the Hospital Sustainability Program for another year. Continuing the Hospital Sustainability Program will benefit Hawaii residents by having more sustainable hospitals and increased access to necessary medical care. DHS informs the committee that DHS continues to discuss further amendments with the Healthcare Association of Hawaii and the Centers for Medicare & Medicaid Services (CMS).

The DHS respectfully requests the following amendment on Page 4, beginning on line 19:

"(b) The department shall use moneys from the hospital sustainability program special fund to make direct upper payment limit payments to level 2 trauma centers [~~designated~~] verified by the American College of Surgeons and designated by the department of health including recognized [~~and~~] specialty children's hospitals that do not pay both the inpatient and outpatient assessments."

The DHS was informed by the Department of Health (DOH) that only the DOH may make such a designation for payment purposes as they have been delegated the authority by the CMS and other state and federal laws; the American College of Surgeons merely verifies the status.

The appropriation of \$50 million in Section 6 of the bill, which does not require any appropriation from general funds, will ensure that Hawaii is able to match the maximum amount allowed under federal regulations, with federal funds, to benefit Hawaii's hospitals statewide.

The DHS is in active discussion with the Healthcare Association of Hawaii on proposed amendments related to supplemental uncompensated care and upper payment limit payments language and optimistic that agreement on language to include in the bill will be reached shortly.

The hospital sustainability program fees levied on non-governmental hospitals are used to leverage federal funds and increase reimbursement to hospitals, with a greater benefit to those providing proportionately more services to Medicaid recipients and the uninsured. These additional moneys will 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 and in fiscal year 2013-2014 hospitals were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367. In fiscal year 2014-2015 it is anticipated that the hospitals will be assessed

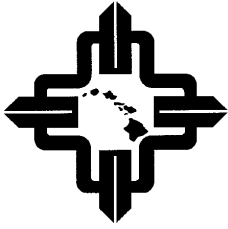
\$46,621,994 in sustainability fees, and it is estimated hospitals to receive additional reimbursements of \$84,687,653.

Additionally, 12% of the revenues from the fees collected are to be used by the DHS for administrative expenses, and to increase and improve services for Medicaid program recipients. The entirety of the 12% that DHS retains of the fees collected are paid out as follows: \$2,016,000 goes back to hospitals to help restore a 3% reduction implemented in 2008 due to the downturn in the State's economy, \$1,000,000 "replaces" \$1,500,000 that the Legislature removed from HMS902 during the Lingle Administration and has not been restored, \$39,357 for a pharmacist, dentist and psychiatrist, and \$1,376,660 for additional behavioral health services for the seriously mentally ill. Additional general funds are required to pay the balance of the 3% reduction.

This bill proposes to also continue exempting the Hospital Sustainability Program Special Fund from the central service expenses assessed under section 36-27, HRS and the administrative expenses assessed under section 36-30, HRS. This exemption will ensure that all moneys received in fees will only be used to increase the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability program would have to pay a \$2.5 million in central services and \$500,000 in department administrative services assessments. This is a total of \$3,000,000 which the Department would not be able to use to sustain hospitals and improve services to Medicaid recipients. In paying these expenses, \$3,000,000 in matching federal funds that otherwise would have been paid to the hospitals would not be received and enter our economy. What would be a \$3,000,000 gain for the State would be a \$6,000,000 loss for the hospitals without the exemption.

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 Health Care For All™

**Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair**

March 2, 2015
Conference Room 211
9:00 a.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 806, SD1, Relating to the Hospital Sustainability Program

Continues the Hospital Sustainability Program by extending its sunset date to June 30, 2016, updating the referral dates in the statute, and revising the funding amount for the Hospital Sustainability Program for fiscal year 2015-2016.

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 SB 806, SD1, 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 State of Hawaii's Section 1115 waiver. 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.



**Testimony to the Senate Committee on Ways and Means
Monday, March 2, 2015 at 9:00 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 806 SD1 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

Chair Tokuda, Vice Chair Kouchi, and Members of the Committees:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 806 SD1, which continues the Hospital Sustainability Program by extending its sunset date to June 30, 2016, updating the referral dates in the statute, and revising the funding amount for the hospital sustainability program for fiscal year 2015-2016.

The Chamber is the largest business organization in Hawaii, 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.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Ways and Means

The Hon. Jill N. Tokuda, Chair

The Hon. Ronald D. Kouchi, Vice Chair

Testimony on Senate Bill 806 SD 1

Relating to Hospital Sustainability Program

Submitted by Nani Medeiros, Public Affairs and Policy Director

February 27, 2015, 9:00 am, Room 211

The Hawaii Primary Care Association supports Senate Bill 806, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2016.

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.

Thank you for the opportunity to testify.



Monday, March 2, 2015 – 9 a.m.
Conference Room #211

Senate Committee on Ways and Means

To: Senator Jill Tokuda, Chair
Senator Ron Kouchi, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: **Testimony in Strong Support**
SB806 SD1 — Relating to the Hospital Sustainability Program

The Healthcare Association of Hawaii's 160 member organizations include all of the acute care hospitals in Hawaii, all public and private skilled nursing facilities, all the Medicare-certified home health agencies, all hospices, all assisted living facilities, durable medical equipment suppliers and home infusion/pharmacies. Members also represent other healthcare providers from throughout the continuum including case management, air and ground ambulance, blood bank, dialysis, and more. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to testify in **strong support** of SB806, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2016.

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.

Thank you for the opportunity to testify in strong support of SB806.

Phone: (808) 521-8961 | Fax: (808) 599-2879 | HAH.org | 707 Richards Street, PH2 - Honolulu, HI 96813

Affiliated with the American Hospital Association, American Health Care Association, National Association for Home Care and Hospice,
American Association for Homecare and Council of State Home Care Associations



THE QUEEN'S HEALTH SYSTEMS

To: Chair Jill Tokuda
Vice Chair Ron Kouchi
Senate Committee on Ways and Means

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

Re: SB 806 SD 1, Relating to the Hospital Sustainability Program
Hearing—March 2, 2015 at 9:00 AM

The Queen's Health Systems would like to express strong support for SB 806 SD 1, a bill relating to the Hospital Sustainability Program. This bill would reauthorize the Hospital Sustainability Program for an additional year.

The Hospital Sustainability Program issues a fee on hospital providers in the state of Hawaii, including QHS. The revenue generated by this fee is used by the state to draw down matching federal funds. For the last several years, as hospitals have faced declining federal payments for providing care to the un- or underinsured patients, the Hospital Sustainability Program has allowed the state to support the provision of uncompensated care.

In 2012, QHS provided approximately \$91 million in uncompensated and charity care. The Hospital Sustainability Program helped QHS offset a portion of those costs. We are looking forward to joining our hospital partners at HAH in supporting the fair distribution of funds generated through this program.

We ask that you support the continuation of this the Hospital Sustainability Program. Your favorable vote on this bill will allow collaborative efforts between the Hawaii Department of Human Services, Queen's, and the Healthcare Association of Hawaii to ensure access to safety net services for residents across the state to continue.

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.