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# A BILL FOR AN ACT

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that hospitals in the  
2 State face major financial challenges in providing quality  
3 health care for Hawaii residents. These challenges are largely  
4 the result of inadequate payments from the medicaid program that  
5 do not cover the actual costs of care. Medicaid is jointly  
6 financed by the federal and state governments by statutory  
7 formula. The federal government pays between fifty per cent and  
8 seventy-four per cent, with assistance levels determined by each  
9 state's per capita income. States with the lowest per capita  
10 income receive higher federal matching rates. Under federal  
11 rules, the state share must be paid from public funds that are  
12 not federal funds. The legislature finds that public funding to  
13 help financially sustain Hawaii's hospitals may be accessed  
14 through a provider fee.

15           The legislature further finds that provider fees exist in  
16 forty-nine states and the District of Columbia as a means of  
17 drawing down federal funds to sustain medicaid programs due to  
18 rising state budget deficits, increasing health care costs, and



1 expanding medicaid enrollment. Provider fees, which are  
2 collected from specific categories of health care providers that  
3 agree to the fee, may be imposed on nineteen different classes  
4 of health care services, including inpatient and outpatient  
5 hospital and nursing facility services.

6 The legislature additionally finds that, in Hawaii, a  
7 provider fee on hospitals has resulted in an increase of  
8 medicaid payments at a time when there are constraints on the  
9 State's budget. The additional federal funds obtained via the  
10 fee program authorized by the hospital sustainability program  
11 have helped to reduce the amount of losses incurred by hospitals  
12 and maintain access to care for medicaid recipients.

13 The purpose of this Act is to preserve access to health  
14 care for medicaid recipients by extending the hospital  
15 sustainability program.

16 SECTION 2. Section 346G-3, Hawaii Revised Statutes, is  
17 amended as follows:

18 1. By amending the definition of "net patient service  
19 revenue" to read:

20 "Net patient service revenue" means gross revenue from  
21 inpatient and outpatient care provided to hospital patients



1 converted to net patient service revenue utilizing data from  
 2 Worksheets G-2 and G-3 of each hospital's medicare cost report  
 3 for the fiscal year [2013-2014.] ending three years prior to the  
 4 state fiscal year for which net patient service revenue is being  
 5 calculated. For example, the net patient service revenue for  
 6 fiscal year 2017-2018 shall be based on data from fiscal year  
 7 2014-2015. If the hospital is new or did not file a fiscal year  
 8 medicare cost report, the department shall obtain the hospital's  
 9 net patient service revenue from the most recent period  
 10 available."

11 2. By amending the definition of "private hospital" to  
 12 read:

13 "Private hospital" means those non-public hospitals named  
 14 in attachment A of the medicaid section 1115 demonstration  
 15 waiver that were in operation in calendar year [2015] 2016 and  
 16 are currently operating or any hospitals not named in attachment  
 17 A of the medicaid section 1115 demonstration waiver that became  
 18 private hospitals in calendar year [2016] 2017 or 2018 and are  
 19 currently operating."

20 SECTION 3. Section 346G-5, Hawaii Revised Statutes, is  
 21 amended by amending subsections (c) and (d) to read as follows:



1           "(c) The hospital sustainability fee for inpatient care  
2 services may differ from the fee for outpatient care services  
3 but the fees charged to the hospital shall not in the aggregate  
4 exceed three and one-half per cent of the hospital's net patient  
5 service revenue [~~as derived from the hospital's medicare cost~~  
6 ~~report ending during state fiscal year 2013-2014~~]. The  
7 inpatient hospital sustainability fee shall not exceed three and  
8 one-half per cent of net inpatient hospital service revenue.  
9 The outpatient hospital sustainability fee shall [~~be~~] not exceed  
10 three and one-half per cent of net outpatient hospital service  
11 revenue. Each fee shall be the same percentage for all affected  
12 hospitals, subject to subsection (d).

13           (d) The department shall exempt children's hospitals,  
14 federal hospitals, public hospitals, and psychiatric hospitals  
15 from the hospital sustainability fees on inpatient services. In  
16 addition, the department shall exempt from the hospital  
17 sustainability fee on outpatient care services children's  
18 hospitals, public hospitals, rehabilitation hospitals,  
19 psychiatric hospitals, and any hospitals with net outpatient  
20 revenues of less than \$57,000,000 per year based upon [~~fiscal~~  
21 ~~year 2013-2014~~] the hospital's medicare cost [~~reports from the~~



1 ~~hospital sustainability fee on outpatient care services.]~~ report  
 2 for the fiscal year ending three years prior to the state fiscal  
 3 year for which the hospital's net patient service revenue is  
 4 calculated; provided that the department may exclude any  
 5 facility from the hospital sustainability fee on outpatient care  
 6 services if it is determined that its exclusion is required to  
 7 meet federal standards of approval."

8 SECTION 4. Section 346G-10, Hawaii Revised Statutes, is  
 9 amended by amending subsection (b) to read as follows:

10 "(b) In accordance with title 42 Code of Federal  
 11 Regulations section 438, the department shall use revenues from  
 12 the hospital sustainability fee and federal matching funds to  
 13 enhance the capitated rates paid to medicaid managed care health  
 14 plans for the state fiscal [~~year 2016-2017,~~] years 2017-2018 and  
 15 2018-2019, consistent with the following objectives:

16 (1) The rate enhancement shall be used exclusively for  
 17 increasing reimbursements to private hospitals to  
 18 support the availability of services and to ensure  
 19 access to care to the medicaid managed care health  
 20 plan enrollees;



- 1           (2) The rate enhancement shall be made part of the monthly  
2           capitated rates by the department to medicaid managed  
3           care health plans, which shall provide documentation  
4           to the department and the hospital trade association  
5           located in Hawaii certifying that the revenues  
6           received under paragraph (1) are used in accordance  
7           with this section;
- 8           (3) The rate enhancement shall be actuarially sound and  
9           approved by the federal government for federal fund  
10          participation;
- 11          (4) The rate enhancements shall be retroactive to July 1,  
12          2012, or the effective date approved by the federal  
13          government, whichever is later. Retroactive rate  
14          enhancements shall be paid within thirty days of  
15          notification by the Centers for Medicare and Medicaid  
16          Services to the department [~~for~~] of all necessary  
17          approvals; and
- 18          (5) Payments made by the medicaid managed care health  
19          plans shall be made within thirty business days upon  
20          receipt of monthly capitation rates from the  
21          department."



1 SECTION 5. Act 217, Session Laws of Hawaii 2012, section  
2 5, as amended by section 2 of Act 141, Session Laws of Hawaii  
3 2013, as amended by section 2 of Act 123, Session Laws of Hawaii  
4 2014, as amended by section 2 of Act 70, Session Laws of Hawaii  
5 2015, as amended by section 3 of Act 60, Session Laws of Hawaii  
6 2016, is amended to read as follows:

7 "SECTION 5. This Act shall take effect on July 1, 2012,  
8 and shall be repealed on June 30, [~~2017,~~] 2019; provided that  
9 section -4, Hawaii Revised Statutes, in section 2 of this  
10 Act, and the amendment to section 36-30(a), Hawaii Revised  
11 Statutes, in section 3 of this Act, shall be repealed on December  
12 31, [~~2017,~~] 2019."

13 SECTION 6. Act 123, Session Laws of Hawaii 2014, section  
14 7, as amended by section 3 of Act 70, Session Laws of Hawaii  
15 2015, as amended by section 4 of Act 60, Session Laws of Hawaii  
16 2016, is amended to read as follows:

17 "SECTION 7. This Act shall take effect on June 29, 2014;  
18 provided that:

19 (1) Section 5 shall take effect on July 1, 2014; and



1           (2) The amendments made to sections 36-27(a) and 36-30(a),  
2                   Hawaii Revised Statutes, in sections 3 and 4 of this  
3                   Act shall be repealed on December 31, [~~2017-~~] 2019."

4           SECTION 7. There is appropriated out of the hospital  
5 sustainability program special fund the sum of \$70,000,000 or so  
6 much thereof as may be necessary for fiscal year 2017-2018 and  
7 the same sum or so much thereof as may be necessary for fiscal  
8 year 2018-2019 for the purposes of the hospital sustainability  
9 program special fund.

10           The sums appropriated shall be expended by the department  
11 of human services for the purposes of this Act.

12           SECTION 8. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14           SECTION 9. This Act shall take effect on June 29, 2017;  
15 provided that section 7 of this Act shall take effect on July 1,  
16 2017.





**Report Title:**

Hospital Sustainability Program; Appropriation

**Description:**

Continues the Hospital Sustainability Program for two years. Increases the cap on the inpatient and outpatient hospital sustainability fees to not more than three and one-half percent of the hospital's net inpatient and outpatient service revenue, respectively. Appropriates \$70,000,000 out of the Hospital Sustainability Program Special Fund for Fiscal Years 2017-2018 and 2018-2019. (HB89 CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

