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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 23, 2017

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

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 89 HD 1- Relating to the Hospital Sustainability Program**

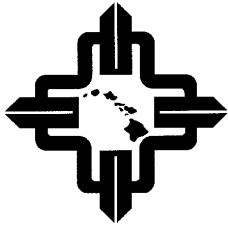
Hearing: February 23, 2017, 12:00 p.m.
Conference Room 308, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify in support.

PURPOSE: The purpose of the bill is to preserve access to health care for Medicaid recipients by extending the hospital sustainability program; appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019. The House Committees on Human Services and Health amended the measure by amending the appropriation to an unspecified amount, defecting the effective date, and making technical amendments.

This original version of the bill is nearly identical to the Administration's bills HB 1096/SB 962, therefore, we express strong support for this bill. The hospital sustainability program has been operating for several years now, and thus, the one substantive change to prior years' Hospital Sustainability bills is the request to extend the program and exemptions from the applicable special fund fees for two years as opposed to one year.

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
Rep. Sylvia Luke, Chair
Rep. Ty J. K. Cullen, Vice Chair

February 23, 2017
Conference Room 308
12:00 p.m.
Hawaii State Capitol

Testimony Supporting House Bill 89, HD 1 Relating to the Hospital Sustainability Program
Continues the hospital sustainability program for two years. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2017-2018 and 2018-2019.

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 H.B. 89, H.D. 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 respectfully recommend the Committee's support of this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
Members, Committee on Finance


From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: February 21, 2017
Hrg: House Committee on Finance Hearing; Thursday, February 23, 2017 at 12:00PM in
Room 308

Re: **Support for HB 89, HD1, 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). QHS would like to express our **strong support** for HB 89, Relating to Hospital Sustainability Program. This bill continues the Hospital Sustainability Program for two years. It also appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019.

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.

In FY 2015, QHS provided community benefits of \$101.5 million for care and other community need programs that are unfunded or underfunded. Of that \$101.5 million, \$54.2 million, or 53 percent, is our Medicaid Reimbursement Shortfall. The Hospital Sustainability Program helps QHS offset a portion of these costs.

I ask that you support this legislation and the continuation of the Hospital Sustainability Program. Thank you for your time and attention to this important issue.

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.



February 23, 2017 at 12:00 PM
Conference Room 308

House Committee on Finance

To: Chair Sylvia Luke
Vice Chair Ty J.K. Cullen

Re: **Testimony in Support**
HB 89 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 160 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.

The Healthcare Association of Hawaii would like to thank the committee for the opportunity to **support** HB 89 HD 1. This legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of the most underserved in our state. HAH's proposed legislation would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. Notably, this legislation authorizes the program for two years. (Previously, the program was authorized annually.) This change is supported by HAH members and our partners at the Department of Human Services.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program in 2012. This program improves Medicaid payments to hospitals 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 a 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—in fact, the state is able to use a portion of the fees to support Medicaid activities.

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 health care system. However, even with this program, hospitals continue to experience shortfalls, with data from the latest year available (2013) showing \$76 million in uncompensated losses. We humbly request that the State Legislature continue its support of this program. Thank you for your time and consideration of this measure.

February 23, 2017 at 12:00pm
Conference Room 308

House Committee on Finance

To: Rep. Sylvia Luke, Chair
Rep Ty J.K. Cullen, Vice Chair

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

Re: HB 89 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.

I am writing in support of HB 89 HD 1 which provides funding to continue the Hospital Sustainability Program for the fiscal years 2017-2018 and 2018-2019.

Recognizing that Medicaid payments to hospitals remain below the actual costs of delivering care in an acute care setting, 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 enable the State 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 approach becoming closer to the actual costs of care, thereby reducing losses and improving the financial stability of our hospital system.

The continuation of the Hospital Sustainability Program through HB 89 HD 1 will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.

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Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Thursday, February 23, 2017 at 12:00 P.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 89 RELATING TO THE HOSPITAL SUSTAINABILITY
PROGRAM**

Chair Luke, Vice Chair Cullen, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 89 HD1, which continues the Hospital Sustainability Program for two years; appropriates funds out of the Hospital Sustainability Program Special Fund for Fiscal Years 2017-2018 and 2018-2019.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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
HB 89, Relating to Hospital Sustainability Program
by
Stephen A. Kula, Ph.D., NHA
Executive Director
Legacy of Life Hawai'i

Senate Committee on Commerce, Consumer Protection, and Health
Chair Sylvia Luke
Vice Chair Ty J.K. Cullen

Thursday, February 23, 12:00 p.m.
State Capitol, Conference Room 308

Thank you for the opportunity to offer testimony on behalf of Legacy of Life Hawai'i in strong support of HB 89, HD 1. As a member of the Healthcare Association of Hawaii, Legacy of Life Hawai'i supports this legislation which seeks to amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of the most underserved in our state. Notably, this legislation authorizes the program for two years.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program in 2012. This program improves Medicaid payments to hospitals 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 a 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—in fact, the state is able to use a portion of the fees to support Medicaid activities.

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 health care system. However, even with this program, hospitals continue to experience shortfalls, with data from the latest year available (2013) showing \$76 million in uncompensated losses. Thank you for the opportunity to offer testimony on behalf of Legacy of Life Hawai'i in strong support.