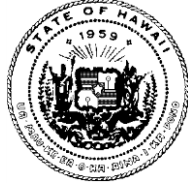


DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

BRIDGET HOLTHUS
DEPUTY DIRECTOR

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

February 8, 2017

TO: The Honorable Representative Dee Morikawa, Chair
House Committee on Human Services

The Honorable Representative Della Au Belatti, Chair
House Committee on Health

FROM: Pankaj Bhanot, Director

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

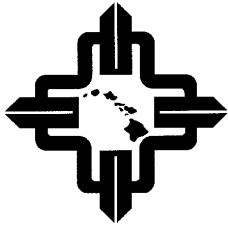
Hearing: Wednesday, February 8, 2017, 9:00 a.m.
Conference Room 329, State Capitol

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.

This 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 Human Services
Rep. Dee Morikawa, Chair
Rep. Chris Todd, Vice Chair

House Committee on Health
Rep. Della Au Belatii, Chair
Rep. Bertrand Kobayashi, Vice Chair

February 8, 2017
Conference Room 329
9:00 a.m.
Hawaii State Capitol

Testimony Supporting House Bill 89 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 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.

todd2 - Chloe

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 7:54 AM
To: HUSstestimony
Cc: ecabatu@hhsc.org
Subject: Submitted testimony for HB89 on Feb 8, 2017 09:00AM

Categories: Done

HB89

Submitted on: 2/6/2017

Testimony for HUS/HLT on Feb 8, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments: On behalf of the East Hawaii Region, consisting of Hilo Medical Center, Ka`u Hospital, Hale Ho`ola Hamakua, 9 specialty clinics and over 1,200 employees, please accept our testimony in support of HB89.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Dee Morikawa, Chair
The Honorable Chris Todd, Vice Chair
Members, Committee on Human Services

The Honorable Della Au Belatti, Chair
The Honorable Bertrand Kobayashi, Vice Chair
Members, Committee on Health

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

Date: February 6, 2017

Hrg: House Committees on Human Services and Health Joint Hearing; Wednesday, February 8, 2017 at 9AM in Room 329

Re: **Support for HB 89, 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 FY2015, 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 9, 2017 at 9:00am
Conference Room 329

House Committee on Human Services
House Committee on Health

To: Rep. Dee Morikawa, Chair (HUS)
Rep. Chris Todd, Vice Chair (HUS)
Rep. Della Au Belatti, Chair (HLT)
Rep. Bertrand Kobayashi, Vice Chair (HLT)

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

Re: HB 89 – 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 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 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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February 8, 2017 at 9:00 AM
Conference Room 329

House Committee on Human Services
House Committee on Health

To: Chair Dee Morikawa
Vice Chair Chris Todd

Chair Della Au Belatti
Vice Chair Bertrand Kobayashi

Re: Testimony in Support
HB 89, 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 committees for the opportunity to **support** HB 89. 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 8, 2017 at 9:00 AM
Conference Room 329

House Committee on Human Services
House Committee on Health

To: Chair Dee Morikawa
Vice Chair Chris Todd

Chair Della Au Belatti
Vice Chair Bertrand Kobayashi

From: Dee Robinson
Administrator
One Kalakaua Senior Living

Re: Testimony in Support
HB 89, Relating to the Hospital Sustainability Program

I would like to thank the committees for the opportunity to testify in **strong support** HB 89. This very important legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of some of the most underserved in our state. I understand that the Healthcare Association of Hawaii (HAH) has proposed legislation that would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. This legislation would authorize the program for two years. (Previously, the program was authorized annually.) This change is supported by HAH's membership.

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.

Thank you for the opportunity to **support** HB 89.

todd2 - Chloe

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 3, 2017 1:32 PM
To: HUSstestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB89 on Feb 8, 2017 09:00AM*

HB89

Submitted on: 2/3/2017

Testimony for HUS/HLT on Feb 8, 2017 09:00AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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