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January 30, 2017

TO: The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

The Honorable Senator Rosalyn H. Baker, Chair
Committee on Commerce, Consumer Protection, and Health

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 397 Relating to the Hospital Sustainability Program**

Hearing: January 30, 2017, 2:45 p.m.
Conference Room 016, 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 bill, 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.

To: The Honorable Josh Green, Chair
The Honorable Stanley Chang, Vice Chair
Members, Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair
Members, Committee on Commerce, Consumer Protection, and Health

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

Date: January 29, 2017

Hrg: Senate Committees on Human Services and Commerce, Consumer Protection, and Health
Joint Hearing; Monday, January 30, 2017 at 2:45PM in Room 016

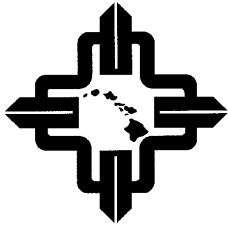
Re: **Support for SB 397, Relating to the Hospital Sustainability Program**

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 SB 397, 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.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

Senate Committee on Human Services
Senator Josh Green, Chair
Senator Stanley Chang, Vice Chair

Senate Committee on Commerce, Consumer Protection, and Health
Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair

January 30, 2017
Conference Room 016
2:45 p.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 397 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 SB 397 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.



January 30, 2017 at 2:45 PM
Conference Room 016

Senate Committee on Human Services

Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Josh Green
Vice Chair Stanley Chang

Chair Rosalyn H. Baker
Vice Chair Clarence K. Nishihara

Re: Testimony in Support
SB 397, 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** SB 397. 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. From fiscal years 2013–2017, providers have seen net returns from the program totaling close to \$210 million. However, 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.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 7:54 AM
To: HMS Testimony
Cc: ecabatu@hhsc.org
Subject: Submitted testimony for SB397 on Jan 30, 2017 14:45PM

SB397

Submitted on: 1/30/2017

Testimony for HMS/CPH on Jan 30, 2017 14:45PM in Conference Room 016

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

Comments: Please accept organizational support from the East Hawaii Region of Hawaii Health Systems Corporation which includes: Hilo Medical Center and our sister Critical Access Hospitals, Hale Ho`ola Hamakua in Honoka`a and Ka`u Hospital.

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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Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Human Services and Committee on
Commerce, Consumer Protection, and Health
Monday, January 30, 2017 at 2:45 P.M.
Conference Room 016, State Capitol**

**RE: SENATE BILL 397 RELATING TO THE HOSPITAL SUSTAINABILITY
PROGRAM**

Chairs Green and Baker, Vice Chairs Chang and Nishihara, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 397, which continues the Hospital Sustainability Program for two years and 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 1,400 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.

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, January 28, 2017 2:45 PM
To: HMS Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB397 on Jan 30, 2017 14:45PM*

SB397

Submitted on: 1/28/2017

Testimony for HMS/CPH on Jan 30, 2017 14:45PM in Conference Room 016

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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