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

February 18, 2019

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

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 1270 HB 1 – RELATING TO HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Thursday, February 21, 2019 11:00 a.m.  
Conference Room 308, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this bill which is substantively similar to our administrative bill HB 1002. We appreciate the amendments of the Committees on Human Services and Homelessness and Health that were requested by the Healthcare Association of Hawaii. We respectfully request that the appropriation of \$75,000,000 for each fiscal year of 2019-2020 and 2020-2021 be restored, and that the effective date be restored to June 29, 2019.

**PURPOSE:** The purpose of the bill is to extend the hospital sustainability fee program to 2021; update definitions of private hospital and clarifies exemptions from the hospital sustainability fee. The HD 1 changed the appropriation of \$75,000,000 out of the hospital sustainability fund for each of the fiscal years 2019-20 and 2020-21 to an unspecified amount.

The Hospital Sustainability Program and the Hospital Sustainability Program Special Fund (the Special Fund) were established by Act 217, Session Laws of Hawaii (SLH) 2012, as last amended by Act 59, SLH 2017. The Special Fund receives moneys from the hospital sustainability fee, which is used to receive federal Medicaid matching funds that is used to increase reimbursements to the private hospitals with a greater benefit to those providing

proportionately more services to Medicaid recipients, and to make quality improvement payments for performance to the hospitals. These additional moneys will continue to ensure sustainability of hospitals in Hawaii as a critical part of the safety net.

In fiscal year 2012-2013, the hospitals were assessed \$40,103,774 in sustainability fees and received \$77,468,401 in additional reimbursement; fiscal year 2013-2014, they were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367; fiscal year 2014-2015 they were assessed \$46,621,994 and received \$84,687,653 in additional reimbursements; fiscal year 2017-2018, they were assessed \$68,765,751 and received \$71,870,533 in additional reimbursements.

DHS has worked very closely with the Healthcare Association of Hawaii (HAH), the trade organization for hospitals, on the implementation and evolution of the program. We are in concurrence with this bill.

Without this bill, the Hospital Sustainability Program will be repealed on June 29, 2019, with funding provisions to be repealed on December 31, 2019. The loss of the sustainability funds would have a dramatic negative impact on the hospitals. This bill extends the Hospital Sustainability Program for two years past the repeal date of June 30, 2019, and extends the Special Fund for an additional six months thereafter.

Also, the bill extends exemptions from assessments for central services expenses and administrative expenses under sections 36-27(a) and 36-30(a), Hawaii Revised Statutes. These sections will be repealed on December 31, 2019. Therefore, unless the proposed amendments are adopted, the exemptions from the central service expenses and administrative expenses assessments would be lost, and the Special Fund would be subject to the central service expenses assessment for the period January 1, 2019 through December 31, 2020, that is estimated to be \$5,000,000, and the administrative expenses assessment for the same period in the amount of \$1,000,000.

Finally, the bill updates and clarifies which hospitals are subject to the provider assessment fee on the inpatient and the outpatient services. This is necessary as the prior definition references a waiver that the DHS Med-QUEST is renewing. The portion that was referenced is not included in the renewal, so new definitions and clarifications were needed.

Thank you for the opportunity to testify on this measure.



**February 21, 2019 at 11:00 am**  
**Conference Room 308**

**House Committee on Finance**

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

From: Hilton Raethel  
President and CEO  
Healthcare Association of Hawaii

Re: **Testimony in Support**  
**HB 1270 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 170 member organizations who represent almost every aspect of the healthcare 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.

Thank you for the opportunity to testify in **strong support** of this measure. The Hospital Sustainability Program helps participating facilities offset some of the losses they incur taking care of under- and uninsured patients in Hawaii. In its simplest telling, the program works by levying a fee on participating providers. The funds generated through that fee are used to draw down additional federal dollars and are distributed back to the providers, which results in a net gain for most participants. Most importantly, no state general funds are used for this program. In fact, the Department of Human Services receives a portion of the fee levied on hospitals.


This program has been in effect since 2012 when, recognizing that Medicaid payments were below the actual costs of care in hospitals, the legislature established this program. While the program was reauthorized annually for many years, the legislature passed a two-year authorization of the program in 2017. This was evidence of how successful the program has been, especially in bringing together private and public entities to help increase access to care for Medicaid recipients.

Thank you for the opportunity to provide supportive testimony for this successful program, which uses no state dollars, but is able to provide a real benefit to providers and patients alike.



## 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, Vice President, Government Relations and External Affairs, The  
Queen's Health Systems

Date: February 19, 2019

Hrg: House Committee on Finance Hearing; Thursday, February 21, 2019 at 11:00 AM in  
Room 308

Re: Strong support for H.B. 1270, H.D. 1, Relating to the Hospital Sustainability Program

The Queen's Health Systems (Queen's) is a not-for-profit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, 66 health care centers and labs, and more than 1,600 physicians statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide testimony in strong support of H.B. 1270, H.D. 1, which continues the Hospital Sustainability Program for two years. It also appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2019-2020 and 2020-2021. We concur with Healthcare Association of Hawaii's testimony and their technical amendment on page 4, line 4. 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 FY2018, QHS contributed to the well-being of Hawaii by giving back to the community more than \$200 million in unreimbursed health care services, education, and charitable contributions. Of that \$200 million, over \$60 million is our Medicaid Reimbursement Shortfall, the cost absorbed by Queen's when government reimbursements do not fully cover the cost of care. The Hospital Sustainability Program helps Queen's 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.*

Testimony of  
Jonathan Ching  
Government Relations Specialist

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

February 21, 2019  
11:00 a.m.  
Conference Room 308

**Re: HB1270 HD1, Relating to the Hospital Sustainability Program**

Chair Luke, Vice Chair Cullen, and committee members, thank you for this opportunity to provide testimony on HB1270 HD1, which extends the state's Hospital Sustainability Program for two years.

**Kaiser Permanente Hawai'i STRONGLY SUPPORTS HB1270 HD1**

Kaiser Permanente Hawai'i is Hawai'i's largest integrated health system that provides care and coverage for nearly 255,000 members. Each day, more than 4,500 dedicated employees and more than 600 Hawai'i Permanente Medical Group physicians come to work at Kaiser Permanente Hawai'i to care for our members at Moanalua Medical Center and our 27 medical clinics, providing high-quality care for our members and delivering on our commitment to improve the health of the 1.4 million people living in the communities we serve.

Extending the state's Hospital Sustainability Program for two years will allow hospitals in the state to continue to provide critical health care services despite Medicaid uncompensated care losses.

Established in 2012 as Act 217, Session Laws of Hawai'i, the Hospital Sustainability Program, created a fund to pool monies from private hospitals through the assessment of a provider tax, which in turn was used as a basis to obtain federal Medicaid matching funds. The aggregate state and federal funds would then be distributed to the private hospitals as supplemental payments to reduce any Medicaid uncompensated care losses.

Kaiser Permanente Hawai'i supports HB1270 HD1 because it will continue to assist providing access to high-quality health care for Medicaid recipients in Hawai'i.

Mahalo for the opportunity to testify on this important measure.

Thursday, February 21, 2019 at 11:00 AM  
Conference Room 308

**House Committee on Finance**

To: Representative Sylvia Luke, Chair  
Representative Ty Cullen, Vice Chair

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

**Re: Testimony in Support of HB 1270, HD1  
Relating To The Hospital Sustainability Program**

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My name is Michael Robinson, Vice President, Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

**I write in support of HB 1270, HD1** which provides funding to continue the Hospital Sustainability Program for the fiscal years 2019-2020 and 2020-2021. We concur with the amendments recommended by the Healthcare Association of Hawaii in the prior hearing which have been incorporated in the current draft of the bill.

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 this measure will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.

**HB-1270-HD-1**

Submitted on: 2/20/2019 11:21:25 AM

Testimony for FIN on 2/21/2019 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:



**LATE**

February 20, 2019

The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair  
House Committee on Finance

Re: HB 1270 HD1 – Relating to the Hospital Sustainability Program

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1270, HD1, which extends the hospital sustainability program for two years. It clarifies exemptions from the hospital sustainability fee. It also appropriates funds out of the hospital sustainability special fund for fiscal years 2019-2020 and 2020-2021.

HMSA supports this program which allows the state to draw down federal funding to benefit the health care system in Hawaii. The Hospital Sustainability Program levies a fee on participating facilities which is then matched by federal Medicaid funds. The combined amount is reimbursed to private hospitals with a greater benefit going to facilities that provide proportionately more services to Medicaid recipients.

Thank you for the opportunity to provide testimony on this measure.

Sincerely,

Pono Chong  
Vice President, Government Relations