

DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

CATHY BETTS
DEPUTY DIRECTOR

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

February 7, 2019

TO: The Honorable Senator Russell E. Ruderman, Chair
Senate Committee on Human Services

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

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 463 – RELATING TO HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Friday, February 8, 2019 2:45 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this bill which is substantively similar to our administrative bill SB 1228.

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. It also appropriates \$75,000,000 out of the hospital sustainability fund for each of the fiscal years 2019-20 and 2020-21.

The Hospital Sustainability Program and the Hospital Sustainability Program Special Fund (the Special Fund) was 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.

Without this bill, the Hospital Sustainability Program will be repealed on June 29, 2019, with funding provisions to be repealed on December 31, 2019.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.

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

However, we also recognize that some additional amendments may be needed for further clarity on the program, and are supportive of the HAH proposed amendments to clarify the definition of private hospitals, to increase the maximum fee to four percent, adjust the exemptions for the outpatient portion of the fee, and to ensure that the appropriations have the appropriate effective dates.

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



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Russell E. Ruderman, Chair
The Honorable Karl Rhoads, Vice Chair
Members, Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
The Honorable Stanley Chang, Vice Chair
Members, Committee on Commerce, Consumer Protection, and Health

From: Paula Yoshioka, Vice President, Government Relations and External Affairs, The
Queen's Health Systems

Date: February 5, 2019

Hrg: Senate Committee on Human Services and Committee on Commerce, Consumer
Protection, and Health Joint Hearing; Friday, February 8, 2019 at 2:45 PM in Room 016

Re: Support for S.B. 463, 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 support of S.B. 463, 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 clarifying amendments. 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.



February 8, 2019 at 2:45 pm
Conference Room 016

Senate Committee on Human Services

Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Russell E. Ruderman
Vice Chair Karl Rhoads

Chair Rosalyn H. Baker
Vice chair Stanley Chang

From: Paige Heckathorn Choy
Director of Government Affairs
Healthcare Association of Hawaii

Re: Testimony in Support
SB 463, 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 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.

Thank you for the opportunity to support 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.

There are four amendments we would request to ensure the effectiveness of the program. These changes would:

1. Ensure that all Hawaii Health Systems Corporation (HHSC) hospitals are not included in the definition of a private hospital, since they use a different system to make up for uncompensated care costs;
2. Increase the allowable tax rate to four percent;
3. Include children's programs in the outpatient tax; and
4. Add the appropriations section into the effective date section.

The suggested amendments are included at the end of this testimony.

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 first requested amendment would ensure that we are fully accurate in the providers included in this program by amending Section 2 (page 4, line 4) to ensure that all facilities operated by *or affiliated with* HHSC are not included. The public HHSC hospitals are not included because they participate in a separate program to help them cover the costs of uncompensated care. By clarifying that affiliated hospitals are not included, we are ensuring that Kahuku—which is affiliated with HHSC—will participate in the same program as the public hospitals, rather than participating under this program. The amendment would read as follows:

SECTION 2. Section 346G-3, Hawaii Revised Statutes, is amended by amending the definition of "private hospital", adding a definition of "medicaid cost report", and deleting the definition of "Section 1115 waiver" to read:

"Medicaid cost report" means the annual cost report that a hospital submits to the state's medicaid agency.

"Private hospital" means [~~those non-public hospitals named in attachment A of the medicaid section 1115 demonstration waiver that were in operation in calendar year [2015] 2016 and are currently operating or any hospitals not named in attachment A of the medicaid section 1115 demonstration waiver that became private hospitals in calendar year [2016] 2017 or 2018 and are currently operating.~~]all currently-operating hospitals, except for hospitals that are:

1. Operated by **or affiliated with** the Hawaii health systems corporation; or
2. Charitable hospitals funded primarily through donations or other non-insurance sources of funding, and whose net patient revenue is less than forty percent of operating expenses, per the medicaid cost report.

The second and third amendments would be made in Section 3 to raise the cap on the tax and to include children's hospitals in the outpatient tax. The amendments would be made to Section 3 (page 4, line 14 through page 5, line 9) and would read as follows:

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

(c) The hospital sustainability fee for inpatient care services may differ from the fee for outpatient care services but the fees charged to the hospital shall not in the aggregate exceed **[three and one-half] four** per cent of the hospital's net patient service revenue. The inpatient hospital sustainability fee shall not exceed **[three and one-half] four** per cent of net inpatient hospital service revenue. The outpatient hospital

sustainability fee shall not exceed ~~[three and one-half]~~ **four** per cent of net outpatient hospital service revenue. Each fee shall be the same percentage for all affected hospitals, subject to subsection (d).

(d) The department shall exempt children's hospitals, federal hospitals, public hospitals, and psychiatric hospitals from the hospital sustainability fees on inpatient services. In addition, the department shall exempt from the hospital sustainability fee on outpatient care services **[children's hospitals,]** ~~federal hospitals,~~ **[,]** and public hospitals~~[,]~~~~[rehabilitation hospitals, psychiatric hospitals,~~ and any hospitals with net outpatient revenues of less than \$57,000,000 per year based upon the hospital's medicare cost report for the fiscal year ending three years prior to the state fiscal year for which the hospital's net patient service revenue is calculated]; provided that the department may exclude any facility from the hospital sustainability fee ~~[on outpatient care services]~~ if it is determined that its exclusion is required to meet federal standards of approval.

The fourth, and last, requested amendment would make a small change to Section 10 (page 9, lines 17-19) to make sure the effective date of July 1, 2019 includes Section 8, which authorizes appropriations. The amendment requested would be:

SECTION 10. This Act shall take effect on June 29, 2019, provided that section **s 7 and 8** of this Act shall take effect on July 1, 2019.

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

Testimony of
Jonathan Ching
Government Relations Specialist

Before:
Senate Committee on Human Services
The Honorable Russell E. Ruderman, Chair
The Honorable Karl Rhoads, Vice Chair

Senate Committee on Commerce, Consumer Protection, and Health
The Honorable Rosalyn H. Baker, Chair
The Honorable Stanley Chang, Vice Chair

February 8, 2019
2:45 p.m.
Conference Room 016

Re: SB463, Relating to the Hospital Sustainability Program

Chair Ruderman, Chair Baker, and committee members, thank you for this opportunity to provide testimony on SB463, which extends the state's Hospital Sustainability Program for two years.

Kaiser Permanente Hawai'i STRONGLY SUPPORTS SB463.

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 SB643 because it will continue to assist providing access to health care for Medicaid recipients in Hawai'i.

Mahalo for the opportunity to testify on this important measure.

Friday, February 8, 2019 at 2:45 PM
Conference Room 016

Senate Committee on Human Services

To: Senator Russell Ruderman, Chair
Senator Karl Rhoads, Vice Chair

Senate Committee on Commerce, Consumer Protection and Health

To: Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair

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

**Re: Testimony in Support of SB 463
Relating To The Hospital Sustainability Program**

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 SB 463 which provides funding to continue the Hospital Sustainability Program for the fiscal years 2019-2020 and 2020-2021.

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.

SB-463

Submitted on: 2/7/2019 2:40:00 PM

Testimony for HMS on 2/8/2019 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committees on Human Services and
Commerce & Consumer Affairs
Friday, February 8, 2019 at 2:45 P.M.
Conference Room 016, State Capitol**

RE: SENATE BILL 463 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM

Chairs Ruderman & Baker, Vice Chairs Rhoads & Chang, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") supports SB 463, which extends the hospital sustainability program for two years. Clarifies exemptions from the hospital sustainability fee. Appropriates \$75,000,000 out of the hospital sustainability special fund for fiscal years 2019-2020 and 2020-2021..

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.