

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

April 2, 2021

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

FROM: Cathy Betts, Director

SUBJECT: **HB 474 HD2 SD1 – RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.**

Hearing: April 7, 2021, 9:45 a.m.
Via Video Conference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this bill, which is substantively similar to our administrative measure HB 976. DHS respectfully requests the measure pass as is.

We appreciate the amendments of the Senate Committees on Human Services and Health that amended the measure by:

- (1) Inserting an appropriation of \$325,000,000;
- (2) Inserting an effective date of June 29, 2021; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

PURPOSE: The purpose of the bill extends the nursing facility sustainability program to 2024. Allows the nursing facility sustainability fee to be used to enhance capitated rates for the purpose of paying quality incentives. Allows nursing facilities sixty days to pay the nursing facility sustainability fee. Specifies that the nursing facility sustainability fee limit is 5.5 per cent of overall net patient service revenue. Removes the per resident daily maximum fee of \$20 for

each facility. Specifies facilities that meet certain exceptions shall pay a reduced daily fee in comparison to other participating facilities. Appropriates funds. Effective 6/29/21. (SD1)

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 173, SLH 2019. The Special Fund receives moneys from the hospital sustainability fee, which is used to receive federal Medicaid matching funds, and then used to increase reimbursements to the hospitals and payments for performance to the hospitals, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys will increase the sustainability of hospitals to continue as a critical part of the safety net and help address budget constraints in the Medicaid program. DHS greatly appreciates the strong collaboration with the Healthcare Association of Hawaii to continue to strengthen this successful program.

In fiscal year 2012-2013, the hospitals were assessed \$40,103,774 in sustainability fees and received \$77,468,401 in additional reimbursements. In fiscal year 2013-2014, the providers were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367. In fiscal year 2014-2015 the providers were assessed \$46,621,994 in sustainability fees and received \$84,687,653 in additional reimbursements. In fiscal year 2017-2018, the providers were assessed \$68,765,751 in sustainability fees and received \$71,870,533 in additional reimbursements. In fiscal year 2018-2019, the providers were assessed \$62,935,303 in sustainability fees and received \$92,051,866 in additional net reimbursements. In fiscal year 2019-2020, the providers were assessed \$70,200,000 and received \$103,000,000 in net additional reimbursements.

Thank you for the opportunity to provide testimony in strong support of this measure.



**Testimony to the Senate Committee on Ways and Means
Wednesday, April 7, 2021; 9:45 a.m.
State Capitol, Conference Room 211
Via Videoconference**

RE: HOUSE BILL NO. 0474, HOUSE DRAFT 2, SENATE DRAFT 1, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Joint Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 0474, House Draft 2, Senate Draft 1, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

The bill, as received by your Committee, would preserve access to health care for Medicaid recipients by extending the Hospital Sustainability Program (Program). Specifically, this bill would:

- (1) Allow revenues from the Hospital Sustainability Fee (Fee) be used to fund Medicaid services, including supportive housing, behavioral health, vaccinations, preventative health, primary care, and home and community-based services;
- (2) Reduce the amount in the Hospital Sustainability Special Fund (Fund) that may be used by the Department of Human Services (DHS) from 12% to 10%;
- (3) Require the aggregate net benefit for private hospitals be not less than the aggregate net benefit provided by the Program for fiscal year 2021;
- (4) Increase the fee from 4% to 5.5% of net inpatient hospital service revenue and outpatient hospital service revenue, respectively;
- (5) Apply the fee to children's hospitals, psychiatric hospitals, and rehabilitation hospitals so long as the fee may be at a different rate from other private hospitals;
- (6) Extend the deadline for fee payment from the 30th to the 60th day after each calendar month;

Testimony on House Bill No. 0474, House Draft 2, Senate Draft 1
Wednesday, April 7, 2021; 9:45 a.m.
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- (7) Direct DHS to use fee revenues to enhance the capitated rates paid to Medicaid Managed Care Health Plans for the period of July 1 through December 31, 2021, and calendar years 2022 and 2023; and
- (8) Appropriates \$325,000,000, for fiscal year 2021-2022, and the same for fiscal year 2022-2023, from the Fund for purposes of the Program.

This bill would also take effect on June 29, 2021.

By way of background, the HPCA represents Hawaii Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature enacted Act 217, SLH 2012, to establish the Program and increase Medicaid payments to hospitals. The Program achieves this by assessing a fee on hospitals, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to hospitals. Payment is based on the amount of a hospital's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid.

We urge your favorable consideration of this bill.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.

Testimony of
Jonathan Ching
Government Relations Manager

Before:
Senate Committee on Ways and Means
The Honorable Donovan Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

April 7, 2021
9:45 a.m.
Via Videoconference

Re: HB 474 HD2 SD1, Relating to the Hospital Sustainability Program

Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members, thank you for this opportunity to provide testimony on HB 474 HD2 SD1, which extends the state's Hospital Sustainability Program for two years.

Kaiser Permanente Hawai'i STRONGLY SUPPORTS HB 474 HD2 SD1.

Kaiser Permanente Hawai'i is Hawai'i's largest integrated health system that provides care and coverage for approximately 260,000 members. Each day, more than 4,400 dedicated employees and more than 600 Hawai'i Permanente Medical Group physicians and providers come to work at Kaiser Permanente Hawai'i to care for our members at our 20 medical facilities, including Moanalua Medical Center, 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. Reauthorizing this program is particularly important this year given unprecedented budget shortfall the state is facing.

Kaiser Permanente Hawai'i supports HB 474 HD2 SD1 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.



April 7, 2021 at 9:45 am
Via Videoconference

Senate Committee on Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Gilbert S.C. Keith-Agaran

From: Hilton R. Raethel
President and CEO
Healthcare Association of Hawaii

Re: **Testimony in Support**
HB 474 HD 2 SD 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 provide testimony in strong **support** of this bill. The hospital sustainability program is key in protecting access for Medicaid beneficiaries, which is especially important as we continue to work our way out of this pandemic and the attendant recession. 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 to help them cover the gap between what Medicaid reimburses and what Medicare reimburses. (Neither reimbursement covers the actual costs of care.) Most importantly, **no state general funds are used for this program.**

We would further note that 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 several 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 public and private entities to help increase access to care for Medicaid recipients. The hospital sustainability program has successfully supported providers and beneficiaries for nearly ten years—and it is important to note that this program is different and separate from other proposals that would levy a fee on insurance providers.

Thank you for the opportunity to provide supportive testimony for this successful program, which will help the state with their budget difficulties while protecting access for Medicaid beneficiaries during this continued health and economic crisis. We will continue our partnership with the MedQUEST office on this measure and appreciate your consideration of this important measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Members, Senate Committee on Ways and Means

From: Rowena Buffett Timms, Executive Vice President & Chief Administrative Officer, The Queen's Health Systems

Colette Masunaga, Director, Government Relations & External Affairs, The Queen's Health Systems

Date: April 7, 2021

Re: Support for HB474, HD2, SD1: Relating to the Hospital Sustainability Program

The Queen's Health Systems (Queen's) is a nonprofit 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, and more than 1,500 affiliated physicians and providers 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 HB474, HD2, SD1, relating to the Hospital Sustainability Program, which continues the program for two years. Now more than ever, this program is critical for the sustainability and viability of The Queen's Health Systems. Through the Hospital Sustainability Program, the State of Hawai'i is able to leverage federal matching funds for hospitals who provide services to the underserved, uninsured and underinsured. Most importantly, no state general funds are used for this program. The program accomplishes this by issuing a fee on hospital providers in the state of Hawaii and those funds generated by this fee are used by the state to obtain matching federal Medicaid funds, which are reallocated back to private hospitals.

In FY2019, Queen's contributed to the well-being of Hawai'i 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 accounted for our Medicaid Reimbursement Shortfall, the cost absorbed by Queen's when Medicaid government reimbursements did not fully cover the cost of care. The Hospital Sustainability Program helps Queen's offset a portion of these costs and in FY2020 the impact of the program to Queen's was a positive \$48 million for unreimbursed care.

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.

We concur with Healthcare Association of Hawai'i's testimony and respectfully ask the Committee to support HB474, HD2, SD1. Thank you for your attention to this critically important legislation.

Wednesday, April 7, 2021 at 9:45 AM
Via Video Conference

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

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

**Re: Testimony in Support of HB 474, HD2, SD1
Relating to State Finances**

My name is Michael Robinson, and I am the Vice President of 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.

HPH writes in **support** of HB 474, HD2, SD1 which extends the hospital sustainability program through June 30, 2024. The bill also increases (1) the maximum fee for inpatient care services, (2) the amount of time hospitals have to pay the fee from 30 days to 60 days, and (3) the pool of medical services that can be used for matching purposes.

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. Provider fees, which are collected from specific categories of health care providers that agree to the fee, may be imposed on nineteen different classes of health care services, and can result in substantial increases in medicaid payments without putting additional constraints on the State's budget. The additional federal funds obtained via the fee program authorized by the hospital sustainability program help to maintain

access to care for medicaid recipients. This will allow hospitals in the State to continue to serve uninsured or underinsured patients in a timely, effective manner. Thus ensuring the overall sustainability of the health care system in Hawaii during the challenging time of the COVID-19 pandemic.

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.