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## A BILL FOR AN ACT

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Act 217, Session Laws of Hawaii 2012, section  
2 2, as amended by section 1 of Act 141, Session Laws of Hawaii  
3 2013, as amended by section 1 of Act 123, Session Laws of Hawaii  
4 2014, is amended as follows:

5           1. By amending the definitions of "net patient service  
6 revenue" and "private hospital" in section -3, Hawaii Revised  
7 Statutes, to read:

8           "Net patient service revenue" means gross revenue from  
9 inpatient and outpatient care provided to hospital patients  
10 converted to net patient revenue utilizing data from Worksheets  
11 G-2 and G-3 of each hospital's medicare cost report for fiscal  
12 year [~~2011-2012-~~] 2012-2013. If the hospital is new or did not  
13 file a fiscal year medicare cost report, the department shall  
14 obtain the hospital's net patient service revenue from the most  
15 recent period available.

16           "Private hospital" means those non-public hospitals named  
17 in attachment A of the medicaid section 1115 demonstration



1 waiver that were in operation in calendar year [2013] 2014 and  
2 are currently operating."

3 2. By amending subsection (c) of section -4, Hawaii  
4 Revised Statutes, to read:

5 "(c) Moneys in the hospital sustainability program special  
6 fund shall be used exclusively as follows:

- 7 (1) To make direct supplemental uncompensated care and  
8 upper payment limit payments to private hospitals  
9 pursuant to the terms of the section 1115 waiver. At  
10 least eighty-eight per cent of the moneys in the  
11 special fund shall be used for this purpose, provided  
12 that in no instance shall a hospital receive  
13 [~~uncompensated care costs~~] supplemental payments that  
14 exceed its allowable uncompensated care costs;
- 15 (2) Twelve per cent of the moneys in the special fund may  
16 be used by the department for other departmental  
17 purposes; and
- 18 (3) Any money remaining in the special fund six months  
19 after the repeal of this chapter, shall be distributed  
20 to hospitals within thirty days in the same  
21 proportions as received from the hospitals."



1           3. By amending subsections (c) and (d) of section -5,  
2 Hawaii Revised Statutes, to read:

3           "(c) The hospital sustainability fee for inpatient care  
4 services may differ from the fee for outpatient care services  
5 but the fees shall not in the aggregate exceed three per cent of  
6 net patient service revenue as derived from the hospital's  
7 medicare cost report ending during state fiscal year [~~2011-~~  
8 ~~2012.~~] 2012-2013. The inpatient hospital sustainability fee  
9 shall be [~~2.175~~] \_\_\_\_\_ per cent of net inpatient hospital  
10 service revenue. The outpatient hospital sustainability fee  
11 shall be three per cent of net outpatient hospital service  
12 revenue. Each fee shall be the same percentage for all affected  
13 hospitals, subject to subsection (d).

14           (d) The department shall exempt children's hospitals,  
15 federal hospitals, public hospitals, rehabilitation hospitals,  
16 and psychiatric hospitals [~~, and any hospital that was not in~~  
17 ~~operation during any part of calendar year 2013]~~ from the  
18 hospital sustainability fees on inpatient services. In  
19 addition, the department shall exempt hospitals with net  
20 outpatient revenue of less than [~~\$45,000,000~~] \$50,000,000 per  
21 year (based on fiscal year [~~2011-2012~~] 2012-2013 reports) [~~7~~] and



1 public hospitals [~~, and any hospital that was not in operation~~  
2 ~~during any part of calendar year 2013]~~ from the hospital  
3 sustainability fee on outpatient care services."

4 4. By amending section -8, Hawaii Revised Statutes, to  
5 read:

6 "§ -8 Multifacility locations. If an entity conducts,  
7 operates, or maintains more than one hospital licensed by the  
8 department of health, the entity shall pay the hospital  
9 sustainability [~~fee~~] fees for each hospital separately[~~],~~  
10 unless it operates and files more than one hospital under a  
11 single medicare cost report."

12 5. By amending section -10, Hawaii Revised Statutes,  
13 to read:

14 "§ -10 Private hospital payments. (a) The department  
15 shall use moneys from the hospital sustainability program  
16 special fund to make direct payments to private hospitals in an  
17 amount equal to [~~\$85,000,000~~] \$ \_\_\_\_\_ to cover the  
18 uncompensated care costs incurred by private hospitals for  
19 serving medicaid and uninsured individual during state fiscal  
20 year [~~2014-2015-~~] 2015-2016.



1           **(b)** The department shall use moneys from the hospital  
2 sustainability program special fund to make direct upper payment  
3 limit payments to level 2 trauma centers designated by the  
4 American College of Surgeons and specialty children's hospitals  
5 that do not pay both the inpatient and outpatient assessments.

6           ~~(b)~~ **(c)** The department shall make quarterly payments to  
7 private hospitals to reimburse their uncompensated care costs  
8 within twenty days after the end of each calendar quarter;  
9 provided that payments shall not be due until at least fifteen  
10 days after receipt of the fees required by section -6. If the  
11 department fails to pay the full amount when due, there shall be  
12 added to the payment a penalty equal to prime plus two per cent  
13 of the payment that was not paid when due.

14           ~~(c)~~ **(d)** Each eligible hospital's quarterly payment shall  
15 be equal to one-quarter of its prorated share of uncompensated  
16 care costs for the fiscal year in which payment is made, as  
17 derived from the uncompensated care costs reported by all  
18 private hospitals for fiscal year [2011-2012.] 2012-2013;  
19 provided that:



1        (1) Inpatient uncompensated care costs shall be reimbursed  
2                    at 86.76 per cent of reported uncompensated care costs  
3                    and

4        (2) Outpatient uncompensated care costs shall be  
5                    reimbursed at 100 per cent of reported uncompensated  
6                    care costs.

7        (e) Each eligible hospital's quarterly payment shall be  
8 equal to one-quarter of its prorated share of upper payment  
9 limit payments for the fiscal year in which payment is made;  
10 provided that:

11        (1) Level 2 trauma centers shall receive \$            for  
12                    each medicaid day reported; and

13        (2) Specialty children's hospitals that are exempt from  
14                    both the inpatient and outpatient hospital fee  
15                    assessments shall receive \$            for each medicaid  
16                    discharge reported.

17        [~~d~~] (f) If federal approval pursuant to section        -7 is  
18 not received until after the end of any quarter for which the  
19 hospital sustainability fee is applicable, the department shall  
20 make the initial quarterly payments within five days after



1 receipt of the hospital sustainability fee for the respective  
2 quarter.

3 ~~[(e)]~~ (g) To the extent the hospital sustainability  
4 program is not effective for the entire year, the hospital  
5 sustainability fee, the state medicaid expenses and  
6 administrative fee, and the corresponding uncompensated care  
7 payments shall be based on the proportion of the fiscal year the  
8 program is in effect."

9 SECTION 2. Act 217, Session Laws of Hawaii 2012, section  
10 5, as amended by section 2 of Act 141, Session Laws of Hawaii  
11 2013, as amended by section 2 of Act 123, Session Laws of Hawaii  
12 2014, is amended to read as follows:

13 "SECTION 5. This Act shall take effect on July 1, 2012;  
14 and shall be repealed on June 30, ~~[2015-]~~ 2016; provided that  
15 section -4, Hawaii Revised Statutes, in section 2 of this Act  
16 shall be repealed on December 31, ~~[2015-]~~ 2016."

17 SECTION 3. Section 36-27, Hawaii Revised Statutes, is  
18 amended by amending subsection (a) to read as follows:

19 "(a) Except as provided in this section, and  
20 notwithstanding any other law to the contrary, from time to  
21 time, the director of finance, for the purpose of defraying the



1 prorated estimate of central service expenses of government in  
2 relation to all special funds, except the:

- 3 (1) Special out-of-school time instructional program fund  
4 under section 302A-1310;
- 5 (2) School cafeteria special funds of the department of  
6 education;
- 7 (3) Special funds of the University of Hawaii;
- 8 (4) State educational facilities improvement special fund;
- 9 (5) Convention center enterprise special fund under  
10 section 201B-8;
- 11 (6) Special funds established by section 206E-6;
- 12 (7) Housing loan program revenue bond special fund;
- 13 (8) Housing project bond special fund;
- 14 (9) Aloha Tower fund created by section 206J-17;
- 15 (10) Funds of the employees' retirement system created by  
16 section 88-109;
- 17 (11) Hawaii hurricane relief fund established under chapter  
18 431P;
- 19 (12) Hawaii health systems corporation special funds and  
20 the subaccounts of its regional system boards;



- 1 (13) Tourism special fund established under section 201B-
- 2 11;
- 3 (14) Universal service fund established under section 269-
- 4 42;
- 5 (15) Emergency and budget reserve fund under section 328L-
- 6 3;
- 7 (16) Public schools special fees and charges fund under
- 8 section 302A-1130;
- 9 (17) Sport fish special fund under section 187A-9.5;
- 10 (18) Glass advance disposal fee established by section
- 11 342G-82;
- 12 (19) Center for nursing special fund under section 304A-
- 13 2163;
- 14 (20) Passenger facility charge special fund established by
- 15 section 261-5.5;
- 16 (21) Court interpreting services revolving fund under
- 17 section 607-1.5;
- 18 (22) Hawaii cancer research special fund;
- 19 (23) Community health centers special fund;
- 20 (24) Emergency medical services special fund;



- 1 (25) Rental motor vehicle customer facility charge special  
2 fund established under section 261-5.6;
- 3 (26) Shared services technology special fund under section  
4 27-43;
- 5 (27) Automated victim information and notification system  
6 special fund established under section 353-136;
- 7 (28) Deposit beverage container deposit special fund under  
8 section 342G-104;
- 9 (29) Hospital sustainability program special fund under Act  
10 217, Session Laws of Hawaii 2012, as amended by Act  
11 141, Session Laws of Hawaii 2013 [↗], Act 123, Session  
12 Laws of Hawaii 2014, and Act , Session Laws of  
13 Hawaii 2015;
- 14 [↕] (30) [↕] Nursing facility sustainability program special fund  
15 under Act 156, Session Laws of Hawaii 2012;
- 16 [↕] (31) Hawaii 3Rs school improvement fund [↕] under section  
17 302A-1502.4; and
- 18 [↕] (32) [↕] After-school plus program revolving fund under  
19 section 302A-1149.5,
- 20 shall deduct five per cent of all receipts of all special funds,  
21 which deduction shall be transferred to the general fund of the



1 State and become general realizations of the State. All  
2 officers of the State and other persons having power to allocate  
3 or disburse any special funds shall cooperate with the director  
4 in effecting these transfers. To determine the proper revenue  
5 base upon which the central service assessment is to be  
6 calculated, the director shall adopt rules pursuant to chapter  
7 91 for the purpose of suspending or limiting the application of  
8 the central service assessment of any fund. No later than  
9 twenty days prior to the convening of each regular session of  
10 the legislature, the director shall report all central service  
11 assessments made during the preceding fiscal year."

12 SECTION 4. Section 36-30, Hawaii Revised Statutes, is  
13 amended by amending subsection (a) to read as follows:

14 "(a) Each special fund, except the:

- 15 (1) Transportation use special fund established by section  
16 261D-1;
- 17 (2) Special out-of-school time instructional program fund  
18 under section 302A-1310;
- 19 (3) School cafeteria special funds of the department of  
20 education;
- 21 (4) Special funds of the University of Hawaii;



- 1 (5) State educational facilities improvement special fund;
- 2 (6) Special funds established by section 206E-6;
- 3 (7) Aloha Tower fund created by section 206J-17;
- 4 (8) Funds of the employees' retirement system created by
- 5 section 88-109;
- 6 (9) Hawaii hurricane relief fund established under section
- 7 431P-2;
- 8 (10) Convention center enterprise special fund established
- 9 under section 201B-8;
- 10 (11) Hawaii health systems corporation special funds and
- 11 the subaccounts of its regional system boards;
- 12 (12) Tourism special fund established under section 201B-
- 13 11;
- 14 (13) Universal service fund established under section 269-
- 15 42;
- 16 (14) Emergency and budget reserve fund under section 328L-
- 17 3;
- 18 (15) Public schools special fees and charges fund under
- 19 section 302A-1130;
- 20 (16) Sport fish special fund under section 187A-9.5;



- 1 (17) Center for nursing special fund under section 304A-  
2 2163;
- 3 (18) Passenger facility charge special fund established by  
4 section 261-5.5;
- 5 (19) Court interpreting services revolving fund under  
6 section 607-1.5;
- 7 (20) Hawaii cancer research special fund;
- 8 (21) Community health centers special fund;
- 9 (22) Emergency medical services special fund;
- 10 (23) Rental motor vehicle customer facility charge special  
11 fund established under section 261-5.6;
- 12 (24) Shared services technology special fund under section  
13 27-43;
- 14 (25) Nursing facility sustainability program special fund,  
15 established pursuant to Act 156, Session Laws of  
16 Hawaii 2012;
- 17 (26) Automated victim information and notification system  
18 special fund established under section 353-136; and
- 19 (27) Hospital sustainability program special fund under Act  
20 217, Session Laws of Hawaii 2012, as amended by Act  
21 141, Session Laws of Hawaii 2013, Act 123, Session



1 Laws of Hawaii 2014, and Act , Session Laws of  
2 Hawaii 2015;

3 shall be responsible for its pro rata share of the  
4 administrative expenses incurred by the department responsible  
5 for the operations supported by the special fund concerned."

6 SECTION 5. There is appropriated out of the hospital  
7 sustainability program special fund the sum of \$50,000,000 or so  
8 much thereof as may be necessary for fiscal year 2015-2016 to be  
9 used for the purposes of the hospital sustainability program  
10 special fund.

11 The sum appropriated shall be expended by the department of  
12 human services for the purposes of this Act.

13 SECTION 6. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 7. This Act shall take effect on June 29, 2015;  
16 provided that section 5 shall take effect on July 1, 2015.

17

INTRODUCED BY: Allen A. Kubi

JAN 23 2015



# H.B. NO. 581

**Report Title:**

Hospital Sustainability Program; Special Fund; Appropriation

**Description:**

Continues the Hospital Sustainability Program by extending its sunset date to June 30, 2016, updating the referral dates in the statute, and revising the funding amount for the Hospital Sustainability Program for fiscal year 2015-2016.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

