



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 22, 2017

GOV. MSG. NO. 1159

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 22, 2017, the following bill was signed into law:

HB89 HD1 SD1 CD1

RELATING TO THE HOSPITAL SUSTAINABILITY
PROGRAM
ACT 059 (17)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

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. The legislature finds that hospitals in the
2 State face major financial challenges in providing quality
3 health care for Hawaii residents. These challenges are largely
4 the result of inadequate payments from the medicaid program that
5 do not cover the actual costs of care. Medicaid is jointly
6 financed by the federal and state governments by statutory
7 formula. The federal government pays between fifty per cent and
8 seventy-four per cent, with assistance levels determined by each
9 state's per capita income. States with the lowest per capita
10 income receive higher federal matching rates. Under federal
11 rules, the state share must be paid from public funds that are
12 not federal funds. The legislature finds that public funding to
13 help financially sustain Hawaii's hospitals may be accessed
14 through a provider fee.

15 The legislature further finds that provider fees exist in
16 forty-nine states and the District of Columbia as a means of
17 drawing down federal funds to sustain medicaid programs due to
18 rising state budget deficits, increasing health care costs, and



1 expanding medicaid enrollment. Provider fees, which are
2 collected from specific categories of health care providers that
3 agree to the fee, may be imposed on nineteen different classes
4 of health care services, including inpatient and outpatient
5 hospital and nursing facility services.

6 The legislature additionally finds that, in Hawaii, a
7 provider fee on hospitals has resulted in an increase of
8 medicaid payments at a time when there are constraints on the
9 State's budget. The additional federal funds obtained via the
10 fee program authorized by the hospital sustainability program
11 have helped to reduce the amount of losses incurred by hospitals
12 and maintain access to care for medicaid recipients.

13 The purpose of this Act is to preserve access to health
14 care for medicaid recipients by extending the hospital
15 sustainability program.

16 SECTION 2. Section 346G-3, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By amending the definition of "net patient service
19 revenue" to read:

20 "Net patient service revenue" means gross revenue from
21 inpatient and outpatient care provided to hospital patients



1 converted to net patient service revenue utilizing data from
 2 Worksheets G-2 and G-3 of each hospital's medicare cost report
 3 for the fiscal year [~~2013-2014.~~] ending three years prior to the
 4 state fiscal year for which net patient service revenue is being
 5 calculated. For example, the net patient service revenue for
 6 fiscal year 2017-2018 shall be based on data from fiscal year
 7 2014-2015. If the hospital is new or did not file a fiscal year
 8 medicare cost report, the department shall obtain the hospital's
 9 net patient service revenue from the most recent period
 10 available."

11 2. By amending the definition of "private hospital" to
 12 read:

13 "Private hospital" means those non-public hospitals named
 14 in attachment A of the medicaid section 1115 demonstration
 15 waiver that were in operation in calendar year [~~2015~~] 2016 and
 16 are currently operating or any hospitals not named in attachment
 17 A of the medicaid section 1115 demonstration waiver that became
 18 private hospitals in calendar year [~~2016~~] 2017 or 2018 and are
 19 currently operating."

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



1 "(c) The hospital sustainability fee for inpatient care
2 services may differ from the fee for outpatient care services
3 but the fees charged to the hospital shall not in the aggregate
4 exceed three and one-half per cent of the hospital's net patient
5 service revenue [~~as derived from the hospital's medicare cost~~
6 ~~report ending during state fiscal year 2013-2014~~]. The
7 inpatient hospital sustainability fee shall not exceed three and
8 one-half per cent of net inpatient hospital service revenue.
9 The outpatient hospital sustainability fee shall [~~be~~] not exceed
10 three and one-half per cent of net outpatient hospital service
11 revenue. Each fee shall be the same percentage for all affected
12 hospitals, subject to subsection (d).

13 (d) The department shall exempt children's hospitals,
14 federal hospitals, public hospitals, and psychiatric hospitals
15 from the hospital sustainability fees on inpatient services. In
16 addition, the department shall exempt from the hospital
17 sustainability fee on outpatient care services children's
18 hospitals, public hospitals, rehabilitation hospitals,
19 psychiatric hospitals, and any hospitals with net outpatient
20 revenues of less than \$57,000,000 per year based upon [~~fiscal~~
21 ~~year 2013-2014~~] the hospital's medicare cost [~~reports from the~~



1 ~~hospital sustainability fee on outpatient care services.]~~ report
2 for the fiscal year ending three years prior to the state fiscal
3 year for which the hospital's net patient service revenue is
4 calculated; provided that the department may exclude any
5 facility from the hospital sustainability fee on outpatient care
6 services if it is determined that its exclusion is required to
7 meet federal standards of approval."

8 SECTION 4. Section 346G-10, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) In accordance with title 42 Code of Federal
11 Regulations section 438, the department shall use revenues from
12 the hospital sustainability fee and federal matching funds to
13 enhance the capitated rates paid to medicaid managed care health
14 plans for the state fiscal [~~year 2016-2017,~~] years 2017-2018 and
15 2018-2019, consistent with the following objectives:

- 16 (1) The rate enhancement shall be used exclusively for
17 increasing reimbursements to private hospitals to
18 support the availability of services and to ensure
19 access to care to the medicaid managed care health
20 plan enrollees;



- 1 (2) The rate enhancement shall be made part of the monthly
2 capitated rates by the department to medicaid managed
3 care health plans, which shall provide documentation
4 to the department and the hospital trade association
5 located in Hawaii certifying that the revenues
6 received under paragraph (1) are used in accordance
7 with this section;
- 8 (3) The rate enhancement shall be actuarially sound and
9 approved by the federal government for federal fund
10 participation;
- 11 (4) The rate enhancements shall be retroactive to July 1,
12 2012, or the effective date approved by the federal
13 government, whichever is later. Retroactive rate
14 enhancements shall be paid within thirty days of
15 notification by the Centers for Medicare and Medicaid
16 Services to the department [~~for~~] of all necessary
17 approvals; and
- 18 (5) Payments made by the medicaid managed care health
19 plans shall be made within thirty business days upon
20 receipt of monthly capitation rates from the
21 department."



1 SECTION 5. Act 217, Session Laws of Hawaii 2012, section
2 5, as amended by section 2 of Act 141, Session Laws of Hawaii
3 2013, as amended by section 2 of Act 123, Session Laws of Hawaii
4 2014, as amended by section 2 of Act 70, Session Laws of Hawaii
5 2015, as amended by section 3 of Act 60, Session Laws of Hawaii
6 2016, is amended to read as follows:

7 "SECTION 5. This Act shall take effect on July 1, 2012,
8 and shall be repealed on June 30, [~~2017,~~] 2019; provided that
9 section -4, Hawaii Revised Statutes, in section 2 of this
10 Act, and the amendment to section 36-30(a), Hawaii Revised
11 Statutes, in section 3 of this Act, shall be repealed on December
12 31, [~~2017,~~] 2019."

13 SECTION 6. Act 123, Session Laws of Hawaii 2014, section
14 7, as amended by section 3 of Act 70, Session Laws of Hawaii
15 2015, as amended by section 4 of Act 60, Session Laws of Hawaii
16 2016, is amended to read as follows:

17 "SECTION 7. This Act shall take effect on June 29, 2014;
18 provided that:

19 (1) Section 5 shall take effect on July 1, 2014; and



1 (2) The amendments made to sections 36-27(a) and 36-30(a),
2 Hawaii Revised Statutes, in sections 3 and 4 of this
3 Act shall be repealed on December 31, [~~2017~~] 2019."

4 SECTION 7. There is appropriated out of the hospital
5 sustainability program special fund the sum of \$70,000,000 or so
6 much thereof as may be necessary for fiscal year 2017-2018 and
7 the same sum or so much thereof as may be necessary for fiscal
8 year 2018-2019 for the purposes of the hospital sustainability
9 program special fund.

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

12 SECTION 8. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 9. This Act shall take effect on June 29, 2017;
15 provided that section 7 of this Act shall take effect on July 1,
16 2017.

APPROVED this 22 day of JUN , 2017



GOVERNOR OF THE STATE OF HAWAII



HB No. 89, HD 1, SD 1, CD 1

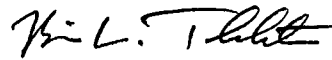
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.



President of the Senate



Clerk of the Senate