



**Testimony to the Senate Committee on Human Services and Housing and  
Committee on Health  
Tuesday, March 17, 2015 at 1:45 P.M.  
Conference Room 016, State Capitol**

**RE: HOUSE BILL 581 HD1 RELATING TO THE HOSPITAL SUSTAINABILITY  
PROGRAM**

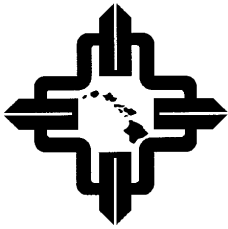
Chairs Chun Oakland and Green, Vice Chairs Green and Wakai, and Members of the Committees:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 581 HD1, which continues the Hospital Sustainability Program for one year and appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal year 2015-2016.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 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.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Quality Healthcare For All"*

**Senate Committee on Human Services and Housing**  
**Senator Suzanne Chun Oakland, Chair**  
**Senator Josh Green, Vice Chair**

**Senate Committee on Health**  
**Senator Josh Green, Chair**  
**Senator Glenn Wakai, Vice Chair**

March 17, 2015  
Conference Room 016  
1:45 p.m.  
Hawaii State Capitol

**Testimony Supporting House Bill 581, HD1, Relating to the Hospital Sustainability Program**  
**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.**

Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony supporting HB 581, HD1, that continues the Hospital Sustainability Program.

Given that health care provider reimbursements are declining at both the federal and state level, it is imperative that health care providers find innovative ways to generate revenues to offset the decline in reimbursements. We believe that the concept of a provider fee on health care items or services provided by nursing facilities is a good financing mechanism that leverages federal funds to increase the reimbursements to hospitals from the MedQUEST programs.

As is common in other states that have implemented sustainability fee programs, the public hospitals of the Hawaii Health Systems Corporation are being exempted from the hospital sustainability program. This is being done to maximize both the amount of federal funds that the private hospitals will receive through the hospital sustainability fee program and the amount of federal matching funds the public hospitals can receive

under the State of Hawaii's Section 1115 waiver. As a matter of public policy, the public hospitals should be allowed to utilize their certified public expenditures to the maximum extent possible for their exclusive benefit as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds may be realized and the private hospitals and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

Thank you for the opportunity to testify before this committee. We would respectfully recommend the Committee's support of this measure.



**Senate Committee on Human Services and Housing**

The Hon. Suzanne Chun Oakland, Chair

The Hon. Josh Green, Vice Chair

**Senate Committee on Health**

The Hon. Josh Green, Chair

The Hon. Glenn Wakai, Vice Chair

**Testimony on House Bill 581 HD 1**

**Relating to the Hospital Sustainability Program**

**Submitted by Nani Medeiros, Public Affairs and Policy Director**

**March 17, 2015, 1:45pm, Room 016**

The Hawaii Primary Care Association supports HB 581, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2016.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program by enacting Act 217, SLH 2012, which increases 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.

Thank you for the opportunity to testify.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [HTHTestimony](#)  
**Cc:** [zabal7@upwhawaii.org](mailto:zabal7@upwhawaii.org)  
**Subject:** Submitted testimony for HB581 on Mar 17, 2015 13:45PM  
**Date:** Monday, March 16, 2015 10:36:08 AM  
**Attachments:** [HB 581, HD1 Relating to Hospital Sustainability Program](#)

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**HB581**

Submitted on: 3/16/2015

Testimony for HTH/HSB on Mar 17, 2015 13:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Al Lardizabal	United Public Workers	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**Tuesday, March 17, 2015 – 1:45 p.m.**

**Conference Room #016**

**The Joint Senate Committees on Health and Human Services and Housing**

To: Senator Josh Green, Chair, HTH Committee  
Senator Glenn Wakai, Vice Chair, HTH Committee

Senator Suzanne Chun Oakland, Chair, HSH Committee  
Senator Josh Green, Vice Chair, HSH Committee

From: George Greene  
President & CEO  
Healthcare Association of Hawaii

Re: **Testimony in Strong Support**  
**HB581 HD1 — Relating to the Hospital Sustainability Program**

The Healthcare Association of Hawaii's 160 member organizations include all of the acute care hospitals in Hawaii, all public and private skilled nursing facilities, all the Medicare-certified home health agencies, all hospices, all assisted living facilities, durable medical equipment suppliers and home infusion/pharmacies. Members also represent other healthcare providers from throughout the continuum including case management, air and ground ambulance, blood bank, dialysis, and more. In addition to providing 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 HB581 HD1, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2016.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program by enacting Act 217, SLH 2012, which increases 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.

Specifically, non-government hospitals are assessed an annual fee based on their patient revenues. Payment is based on the amount of a hospital's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid. Although the fees and payments are different for every hospital, the overall goal of the program is being achieved.

Medicaid payments to many facilities are now closer to the actual costs of care, thereby reducing their losses and improving their financial stability. As such, the Hospital Sustainability Program ensures that Medicaid patients will continue to have access to the hospital care that they need.

In consultation with the Department of Human Services, we have prepared the attached amendments for the committee's consideration. We believe this language would give DHS the flexibility to administer the sustainability program to maximize the permissible drawdown of federal funds while reflecting that the "upper payment limit" program is subject to the State Plan Amendment, which requires approval from the federal government.

Thank you for the opportunity to testify in strong support of HB581 HD1.

Page 3, lines 1-13

By amending subsection (c) of section - 5, Hawaii Revised Statutes, to read:

"(c) The hospital sustainability fee for inpatient care services may differ from the fee for outpatient care services but the fees shall not in the aggregate exceed three per cent of net patient service revenue as derived from the hospital's medicare cost report ending during state fiscal year 2012-2013. The inpatient hospital sustainability fee shall ~~be~~ not exceed 2.400 per cent of net inpatient hospital service revenue. The outpatient hospital sustainability fee shall be three per cent of net outpatient hospital service revenue. Each fee shall be the same percentage for all affected hospitals, subject to subsection (d)."

Page 4, line 12 to Page 6, line 16

By amending subsections (a), (d), and (e) of section -10, Hawaii Revised Statutes, to read:

"(a) The department shall use moneys from the hospital sustainability program special fund to make direct payments to private hospitals based on the amount made available by the state's 1115 waiver ~~[in an amount equal to \$ ]~~ to cover the uncompensated care costs incurred by private hospitals for serving medicaid and uninsured individuals during state fiscal year 2015-2016."

"(b) The department shall use moneys from the hospital sustainability program to make direct upper payment limit payments to level ~~[2]~~ II trauma centers ~~[designated]~~ verified by the American College of Surgeons and specialty children's hospitals that do not pay both the inpatient and outpatient assessments."

"(d) Each eligible hospital's quarterly payment shall be equal to one-quarter of its prorated share of uncompensated care costs for the fiscal year in which payment is made, as derived from the uncompensated care costs reported by all private hospitals for fiscal year 2012-2013 subject to subsection (d) (1) and (2).

(1) ~~[Inpatient uncompensated care costs shall be reimbursed at 86.76% of reported uncompensated care costs.]~~ Outpatient uncompensated care costs shall be reimbursed at 100.00% of reported uncompensated care costs."

(2) ~~Outpatient uncompensated care costs shall be reimbursed at 100.00% of reported uncompensated care costs.~~ Inpatient uncompensated care costs shall be reimbursed on a prorated share based on the remaining uncompensated care amounts available through the 1115 waiver.

"(e) Each eligible hospital's quarterly payment shall be equal to one-quarter of its prorated share of upper payment limit payments for the fiscal year in which payment is made.

(1) Level 2 trauma centers shall receive ~~[\$##]~~ increased Medicaid reimbursements for each Medicaid day reported.

(2) Specialty children's hospitals that are exempt from both the inpatient and outpatient hospital fee assessments shall receive ~~[\$##]~~ increased Medicaid reimbursements for each Medicaid discharge reported."





## THE QUEEN'S HEALTH SYSTEMS

To: Chair Suzanne Chun Oakland  
Vice Chair Josh Green  
Senate Committee on Human Services and Housing

Chair Josh Green  
Vice Chair Glenn Wakai  
Senate Committee on Health

From: Paula Yoshioka  
Senior Vice President  
The Queen's Health Systems

Re: HB 581 HD 1, Relating to the Hospital Sustainability Program  
Hearing—March 17, 2015 at 1:45 PM

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The Queen's Health Systems would like to express strong support for HB 581 HD 1, a bill relating to the Hospital Sustainability Program. This bill would reauthorize the Hospital Sustainability Program for an additional year.

The Hospital Sustainability Program issues a fee on hospital providers in the state of Hawaii, including QHS. The revenue generated by this fee is used by the state to draw down matching federal funds. For the last several years, as hospitals have faced declining federal payments for providing care to the un- or underinsured patients, the Hospital Sustainability Program has allowed the state to support the provision of uncompensated care.

In 2012, QHS provided approximately \$91 million in uncompensated and charity care. The Hospital Sustainability Program helped QHS offset a portion of those costs. We are looking forward to joining our hospital partners at HAH in supporting the fair distribution of funds generated through this program.

We ask that you support the continuation of this the Hospital Sustainability Program. Your favorable vote on this bill will allow collaborative efforts between the Hawaii Department of Human Services, Queen's, and the Healthcare Association of Hawaii to ensure access to safety net services for residents across the state to continue.

*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.*