



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

March 28, 2014

TO: The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2293, H.D.2, S.D.1. - RELATING TO THE HOSPITAL  
SUSTAINABILITY PROGRAM**

Hearing: Friday, March 28, 2014; 9:30 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of the bill is to continue the Hospital Sustainability Program, established by Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013, by extending the sunset date of the Act, updating the referral dates in the statute, and appropriating funding out of the Hospital Sustainability Program Special Fund for fiscal year 2014-2015.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this Administration measure to extend the Hospital Sustainability Program for another year. Continuing the Hospital Sustainability Program will benefit Hawaii residents by having more sustainable hospitals and increased access to necessary medical care.

The appropriation of \$50,000,000 in Section 3 of the bill, which does not require any appropriation from the general funds, will ensure that Hawaii is able to match the maximum

amount allowed under federal regulations, with federal funds, that will benefit Hawaii's hospitals statewide.

Under the Hospital Sustainability Program, the fees levied on non-governmental hospitals are used to leverage federal funds and increase reimbursement to hospitals, with a greater benefit to those providing proportionately more services to Medicaid recipients and the uninsured. These additional moneys will increase the sustainability of hospitals in Hawaii to continue as a critical part of the health care safety net.

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 it is anticipated that the hospitals will be assessed \$44,490,855 in sustainability fees and will receive additional reimbursements of \$81,309,367. Additionally, twelve percent of the revenues from the fees collected is to be used by the DHS for administrative expenses and to increase and improve services for Medicaid program recipients.

The exemption for the Hospital Sustainability Program Special Fund from central services expenses assessed under Section 36-27, Hawaii Revised Statutes (HRS), and the continued exemption from the administrative expenses fee assessed under Section 36-30, HRS, are critical to ensuring that any moneys received in fees will be used only for the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients.

Without these two exemptions, the Hospital Sustainability program would have to pay \$2 million in central services fees and \$3.9 million for departmental administrative services expenses for fiscal year 2013-2014. This is a total of \$5.9 million which the Department would not be able to use to sustain hospitals and improve services to Medicaid recipients.

Thank you for the opportunity to testify on this bill.



**HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

**Senate Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair**

Friday, March 28, 2014  
Conference Room 211  
9:30 a.m.  
Hawaii State Capitol

**Testimony Supporting House Bill 2293, HD2, SD1, Relating to the Hospital Sustainability Program. Extends the sunset date of the hospital sustainability program, updates the program's referral dates, decreases the inpatient hospital sustainability fee, increases the revenue threshold for exemption from hospital sustainability fees, and amends the amount of direct payments to hospitals for uncompensated care costs. Exempts the hospital sustainability program special fund from central service expenses. Makes an appropriation. Effective 07/01/2050. (SD2).**

Alice M. Hall  
Acting President and 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 in strong support of HB 2293, HD2, SD1 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 nursing facilities from the QUEST and QUEST Expanded Access (QEXA) 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 nursing facility sustainability fee. This is being done to maximize both the amount of federal funds that the private nursing facilities will receive through the nursing facility sustainability fee program and the amount of federal matching funds the public hospitals can receive under the State of Hawaii's Section 1115 waiver. Since the sustainability

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fee program was put into place, the public hospitals have been able to fully 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 has been realized and the private nursing facilities and the public hospitals as a whole are receiving greater reimbursements than before the sustainability program was implemented.

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



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**Friday – March 28, 2014 – 9:30am**  
**Conference Room 211**

**The Senate Committee on Ways and Means**

To: Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

From: George Greene  
President & CEO  
Healthcare Association of Hawaii

Re: **Testimony in Support**  
**HB 2293, HD2, SD1 — Relating to the Hospital Sustainability Program**

The Healthcare Association of Hawaii (HAH) is a 116-member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for this opportunity to testify in strong support of HB 2293, HD2, SD1, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

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.

HAH would like to thank Governor Abercrombie and the DHS for their collaboration with HAH and the healthcare community in ensuring the Hospital Sustainability Program's continued success. This

program is critical to ensuring that private hospitals can continue to provide quality healthcare for Medicaid patients in the state.

Thank you for the opportunity to testify in strong support of HB 2293, HD2, SD1.



**HPCA**

HAWAII PRIMARY CARE ASSOCIATION

**Senate Committee on Ways and Means**

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

**Testimony on House Bill 2293, HD2, SD1**  
**Relating to the Hospital Sustainability Program**  
**Submitted by Robert Hirokawa, Chief Executive Officer**  
**March 28, 2014, 9:30 am, Room 211**

The Hawaii Primary Care Association supports HB 2293, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

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.



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the Senate Committee on Ways and Means  
Friday, March 28, 2014 at 9:30 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2293 HD2 SD1 RELATING TO THE HOSPITAL  
SUSTAINABILITY PROGRAM**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2293 HD2 SD1, which continues the Hospital Sustainability Program by extending its sunset date to June 30, 2015, updating the referral dates in the statute, and revising the funding amount for the Hospital Sustainability Program for fiscal year 2014-2015.

The Chamber is the largest business organization in Hawaii, representing over 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.