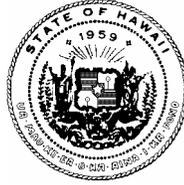


Testimony

HB2293



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 12, 2014

TO: The Honorable Josh Green, M.D., Chair
Senate Committee on Health

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Barbara A. Yamashita, Deputy Director

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

Hearing: Wednesday, March 12, 2014; 1:35 p.m.
Conference Room 229, 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 Department respectfully requests the appropriation amount of \$50,000,000 be inserted into Section 3 of the bill. This appropriation amount, 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.

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 Department also respectfully requests that the language from H.D. 1, that would exempt the Hospital Sustainability Program Special Fund from central services expenses assessed under Section 36-27, Hawaii Revised Statutes, be re-inserted into the bill.

The 2012 Legislature, in conference committee, added an exemption for the Hospital Sustainability Program Special Fund from the departmental administrative expenses assessed under section 36-30, HRS. This exemption ensures that any moneys received in fees are only used to increase the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients. The exemption from section 36-27, HRS for central services expenses, however, was inadvertently not added at the same time.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability program would have to pay \$2 million in central services expenses assessed under section 36-27 and \$3.9 million for departmental administrative services expenses assessed under section 36-30 for fiscal year 2013-2014. This is

a total of \$5.9 million of which the Department would not be able to use to sustain hospitals and improve services to Medicaid recipients.

Under the Hospital Sustainability Program, the fees levied on non-governmental hospitals is 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.

.Thank you for the opportunity to testify on this bill.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Health

The Hon. Josh Green, Chair

The Hon. Rosalyn H. Baker, Vice Chair

Senate Committee on Human Services

The Hon. Suzanne Chun Oakland, Chair

The Hon. Josh Green, Vice Chair

Testimony on House Bill 2293, HD2
Relating to the Hospital Sustainability Program
Submitted by Robert Hirokawa, Chief Executive Officer
March 12, 2014, 1:35 pm, Room 229

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.



Wednesday– March 12, 2014 – 1:35pm
Conference Room 229

The Senate Committee on Health

To: Senator Josh Green, Chair
Senator Rosalyn H. Baker, Vice Chair

The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Support
HB 2293, HD2 — 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, 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.

In reviewing HB 2293, HD2, HAH noted differences between HB 2293, HD2, and SB 2056, SD2. HAH prefers SB 2056, SD2, which reflects the programmatic agreement between the Department of Human Services (the DHS) and HAH. As such, HAH requests the following two amendments:

1. Amendment One – Adding a section with the following language:

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

"(a) Except as provided in this section, and notwithstanding any other law to the contrary, from time to time, the director of finance, for the purpose of defraying the prorated estimate of central service expenses of government in relation to all special funds, except the:

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

- (13) Tourism special fund established under section 201B-11;
- (14) Universal service fund established under section 269-42;
- (15) Emergency and budget reserve fund under section 328L-3;
- (16) Public schools special fees and charges fund under section 302A-1130;
- (17) Sport fish special fund under section 187A-9.5;
- (18) Glass advance disposal fee established by section 342G-82;
- (19) Center for nursing special fund under section 304A-2163;
- (20) Passenger facility charge special fund established by section 261-5.5;
- (21) Court interpreting services revolving fund under section 607-1.5;
- (22) Hawaii cancer research special fund;
- (23) Community health centers special fund;
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- (25) Rental motor vehicle customer facility charge special fund established under section 261-5.6;
- (26) Shared services technology special fund under section 27-43;
- (27) Automated victim information and notification system special fund established under section 353-136; ~~and~~

~~[(28)]~~ Deposit beverage container deposit special fund under section 342G-104~~[,];~~ and

- (29) Hospital sustainability program special fund under Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013,

shall deduct five per cent of all receipts of all special funds, which deduction shall be transferred to the general fund of the State and become general realizations of the State. All officers of the State and other persons having power to allocate or disburse any special funds shall cooperate with the director in effecting these transfers. To determine the proper revenue base upon which the central service

assessment is to be calculated, the director shall adopt rules pursuant to chapter 91 for the purpose of suspending or limiting the application of the central service assessment of any fund. No later than twenty days prior to the convening of each regular session of the legislature, the director shall report all central service assessments made during the preceding fiscal year."

2. Amendment Two – Adding a section with the following language:

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

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

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.



Wednesday– March 12, 2014 – 1:35pm
Conference Room 229

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To: Senator Josh Green, Chair
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The Senate Committee on Human Services

To: Senator Suzanne Chun Oakland, Chair
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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.



H.B. 2293, HD2
RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM
Senate Committee on Health
Senate Committee on Human Services
March 12, 2014; 1:35 p.m.

Thank you for the opportunity to provide testimony in **support** for H.B. 2293, HD2 Relating to the Hospital Sustainability Program, with a recommended amendment. My name is Paula Yoshioka, Senior Vice President for The Queen's Health Systems (QHS). This measure will extend the existing program for an additional year.

A "provider fee" authorizes collecting revenue from, in this case, inpatient hospitals. It is used as a mechanism to generate new in-state funds and then match them with federal funds, resulting in an increase realization of Medicaid dollars. The cost of the fee is promised back to providers through an increase in the Medicaid reimbursement rate for their patient treatment and services. The provider fee in Hawaii assists in stabilizing declining Medicaid payments to facilities and slows down the erosion of access to care for those beneficiaries served by the program. The additional federal funds that could be obtained via the fee program would reduce the amount of loss incurred by Hawaii's hospitals. In FY 12, it is estimated that the cost for the unpaid cost of Medicaid was \$34 million for The Queen's Health Systems—which includes The Queen's Medical Center, Molokai General Hospital, and now also North Hawaii Community Hospital. The funds realized through the provider fee benefits our hospitals, to help to continue to provide healthcare for uninsured and underinsured residents and visitors throughout the State of Hawaii.

H.B. 2293 was introduced as an administrative measure. Included in the original draft was an exemption from the central services expenses assessment, which was removed by the previous committee. We respectfully request the exemption be restored.

We urge your support for this measure, with the suggested amendment.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Health and Committee on Human
Services**

**Wednesday, March 12, 2014 at 1:35 P.M.
Conference Room 229, State Capitol**

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

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

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2293 HD2
Relating to the Hospital Sustainability Program.

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.

My wife, Christine and I are very concerned with the use, and misuse, of tax dollars. There is a much needed medical facility open in Kona, Alii Health Center, which we hope is part of the hospital sustainability program you are considering. But along with the proper use of tax dollars, is the misuse of tax dollars.

A state employee working for HHSC, hired a family member to work at HHSC, to badger us, to the point of the employee being removed from his position. He held his position at HHSC, for only eight months, at which time, he was removed because of complaints filed against him that could not be investigated without holding him accountable. He was paid \$78,567.52, including vacation pay, when he was removed. This is a serious violation of the public's trust and a misuse of tax dollars within the hospital system. If a sustainable hospital system is going to work, this type of personal agenda needs to be stopped. If any legislator checks the work product of this HHSC employee, in the Risk Management Position from Jan 2013 to Sept 2013, it will definitely shed some light on this situation.