

STAND. COM. REP. NO.

61

Honolulu, Hawaii

FEB - 7 2023

RE: S.B. No. 404  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Health and Human Services, to which was referred S.B. No. 404 entitled:

"A BILL FOR AN ACT RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM,"

begs leave to report as follows:

The purpose and intent of this measure is to preserve access to health care for Medicaid recipients in the State by continuing and strengthening the Hospital Sustainability Program by:

- (1) Modifying the program to:
  - (A) Expand the definition of private hospitals subject to the program;
  - (B) Increase the fee cap on various hospital sustainability fees;
  - (C) Require the Department of Human Services to consult and negotiate with the hospital trade association located in Hawaii regarding fee participation and rates; and
  - (D) Require the hospital sustainability fee to discontinue under certain circumstances and provide guidelines for the distribution of remaining funds;



- (2) Making the program permanent;
- (3) Permanently exempting the Hospital Sustainability Program Special Fund from the central service expenses assessment and administrative expenses assessment; and
- (4) Appropriating funds out of the Hospital Sustainability Program Special Fund for the purposes of the program.

Your Committee received testimony in support of this measure from Department of Human Services, Hawai'i Pacific Health, The Queen's Health System, Healthcare Association of Hawaii, Kaiser Permanente Hawai'i, Hilo Medical Center Foundation, Hawai'i Primary Care Association, Democratic Party of Hawai'i Kūpuna Caucus' Health and Medical Services Sub-Committee, and One Kalakaua Senior Living Association.

Your Committee finds that the Hospital Sustainability Program and Hospital Sustainability Program Special Fund, established in 2012, play a major role in protecting hospital access for Medicaid beneficiaries, which is especially important as the State continues to work its way out of the coronavirus disease 2019 pandemic and resulting shortage in the State's health care workforce. The program functions by assessing provider fees, known as hospital sustainability fees, on inpatient and outpatient care services provided by private hospitals. The collected fees are then used as a basis to obtain federal Medicaid matching funds. The aggregate state and federal funds are distributed to hospitals as supplemental payments to reduce Medicaid uncompensated care losses. Your Committee also finds that due to the nature of the federal Medicaid matching formula, increasing the provider fees assessed on hospitals under the program can result in a substantial increase in the State's receipt of federal Medicaid payments without negatively impacting the State's budget. Your Committee also finds that the Hospital Sustainability Program, which has successfully helped acute care facilities treat the most vulnerable patients in the State, is scheduled to be repealed on December 31, 2023, with funding provisions scheduled to be repealed on June 30, 2024. This measure will enhance and make the program permanent, thereby preserving and improving access to quality health care for Medicaid recipients.



Your Committee has amended this measure by:

- (1) Adding certain technical, nonsubstantive amendments to sections 36-27 and 36-30, Hawaii Revised Statutes, pertaining to the Hospital Sustainability Program Special Fund exemption from the central service expenses assessment and administrative expenses assessment;
- (2) Inserting an effective date of December 31, 2050, to encourage further discussion; and
- (3) Making other technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health and Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 404, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 404, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Health and Human  
Services,



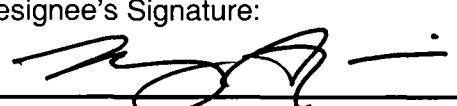
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JOY A. SAN BUENAVENTURA, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Health and Human Services**  
**HHS**

|  |  |                        |     |         |
|--|--|------------------------|-----|---------|
| Bill / Resolution No.:*<br><i>SB 404</i>   | Committee Referral:<br><i>HHS, WAM</i> | Date:<br><i>2/3/23</i> |     |         |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____  |  |                        |     |         |
| The Recommendation is:<br><input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 |  |                        |     |         |
| Members  | Aye                                    | Aye (WR)               | Nay | Excused |
| SAN BUENAVENTURA, Joy A. (C)   | ✓                                      |                        |     |         |
| AQUINO, Henry J.C. (VC)  | ✓                                      |                        |     |         |
| MORIWAKI, Sharon Y.  | ✓                                      |                        |     |         |
| SHIMABUKURO, Maile S.L.  | ✓                                      |                        |     |         |
| AWA, Brenton   | ✓                                      |                        |     |         |
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| <b>TOTAL</b>   | <i>5</i>                               |                        |     |         |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |  |                        |     |         |
| Chair's or Designee's Signature:<br>  |  |                        |     |         |
| Distribution:            Original    Yellow    Pink    Goldenrod<br>File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy   |  |                        |     |         |

\*Only one measure per Record of Votes