

Honolulu, Hawaii

APR 05 2012

RE: H.B. No. 2275
H.D. 2
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred H.B. No. 2275, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO HOSPITALS,"

begs leave to report as follows:

The purpose and intent of this measure is to ensure access to health care for medicaid recipients by providing a means to increase medicaid payments to health care providers.

Specifically, this measure:

- (1) Establishes a hospital sustainability fee, which is a provider fee on health care items or services provided by hospitals; and
- (2) Establishes a hospital sustainability program special fund to receive moneys from the hospital sustainability fee and designates those moneys to be used to match federal medicaid funds.

Written comments in support of this measure were submitted by the Department of Human Services. Written comments on this measure were submitted by the Department of Budget and Finance.

Your Committee finds that hospitals in the State face financial challenges in providing quality health care due, in large part, to medicaid payments that do not cover the actual



costs of care for medicaid enrollees. Currently, forty-seven states and the District of Columbia use provider fees as a means of drawing down federal funds to sustain state medicaid programs. Your Committee further finds that the provider fee established by this measure will allow the State to draw down additional federal medicaid matching funds that will help financially sustain hospitals in the State by increasing payments for the care of medicaid enrollees.

Your Committee has amended this measure by:

- (1) Deleting the definitions of the terms "acute care day" and "outpatient care";
- (2) Amending the definition of the term "hospital" to mean any facility licensed pursuant to section 11-93, Hawaii Administrative Rules;
- (3) Amending the definition of the term "net patient service revenue" to mean inpatient hospital gross revenue divided by total gross revenue multiplied by the net patient revenue;
- (4) Defining the term "private hospital" to mean a hospital currently operating and named in attachment "A" of the QUEST Expanded Medicaid Section 1115 Demonstration Waiver;
- (5) Clarifying the sources of moneys that may be deposited into the hospital sustainability program special fund by deleting the requirement for all federal medicaid funds received as a result of matching revenue from the hospital sustainability fee to be deposited into the special fund;
- (6) Clarifying that the Department of Human Services is the expending agency for the hospital sustainability program special fund;
- (7) Amending the exclusive uses of revenue from the hospital sustainability fee to include direct payments to private hospitals for the uncompensated care costs of serving medicaid-insured and uninsured individuals;



- (8) Changing the effective date of the provider fee to the later of July 1, 2012, or the date of federal approval of the Section 1115 waiver amendment establishing the private hospital uncompensated care pool;
- (9) Clarifying that the provider fee applies to inpatient services provided by hospitals;
- (10) Establishing a basis for calculating a hospital's inpatient service revenue;
- (11) Assessing the hospital sustainability fee on all private hospitals at a rate of 5.50 per cent of net inpatient hospital service revenues, subject to certain exceptions;
- (12) Placing conditions on the Department of Human Services' discretion to modify the structure of the hospital sustainability fee, if needed to obtain a federal waiver, including requiring agreement with the hospital trade association located in Hawaii;
- (13) Requiring the hospital sustainability fee to be paid in equal quarterly installments, instead of on a monthly basis, subject to certain conditions;
- (14) Authorizing the Department of Human Services to seek an amendment to the Section 1115 waiver to establish the private hospital uncompensated care pool;
- (15) Reducing the penalty for failure to pay the hospital sustainability fee from five per cent to two per cent of the fee that was not paid when due;
- (16) Changing the required use of revenue from the hospital sustainability fee and federal matching funds from enhancing the capitated rates paid to QUEST and QUEST expanded access plans to reimbursing private hospitals an amount equal to \$72,000,000 annually for uncompensated care costs incurred by private hospitals for serving medicaid and uninsured individuals;
- (17) Clarifying the conditions that trigger the termination of the hospital sustainability fee;



- (18) Requiring, upon termination of the hospital sustainability fee, moneys remaining in the special fund to be distributed within thirty days to the hospitals in proportion to their contributions;
- (19) Changing the effective date to July 1, 2012; and
- (20) Making technical nonsubstantive amendments for the purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2275, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2275, H.D. 2, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
HB2275 SD1	HTH/HMS, WAM	4-3-12
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is: <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)
IGE, David Y. (C)	/	
KIDANI, Michelle N. (VC)	/	
CHUN OAKLAND, Suzanne		
DELA CRUZ, Donovan M.	/	
ENGLISH, J. Kalani	/	
ESPERO, Will	/	
FUKUNAGA, Carol	/	
KIM, Donna Mercado		
KAHELE, Gilbert	/	
KOUCHI, Ronald D.	/	
RYAN, Pohai		/
TOKUDA, Jill N.	/	
WAKAI, Glenn	/	
SLOM, Sam		/
TOTAL	10	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature: <i>Michelle N. Kidani</i>		
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy		

*Only one measure per Record of Votes