



## THE QUEEN'S HEALTH SYSTEMS

To: Chair Jill N. Tokuda  
Vice Chair Ronald D. Kouchi  
Senate Committee on Ways and Means

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

Re: HB 581 HD 1 SD 1, Relating to the Hospital Sustainability Program  
Hearing—March 31, 2015 at 9:00 AM

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The Queen's Health Systems would like to express strong support for HB 581 HD 1 SD 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.*



**Testimony to the Senate Committee on Ways and Means  
Tuesday, March 31, 2015 at 9:00 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL 581 HD1 SD1 RELATING TO THE HOSPITAL  
SUSTAINABILITY PROGRAM**

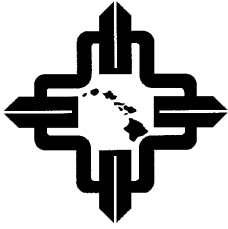
Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 581 HD1 SD1, 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 and amends various reimbursement rates under the program to certain private hospitals for uncompensated care and upper limit payments

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 Ways and Means  
Senator Jill N. Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair**

March 31, 2015  
Conference Room 211  
9:00 a.m.  
Hawaii State Capitol

**Testimony Supporting House Bill 581, HD1, SD1, 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, 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 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.



**HPCCA**

HAWAII PRIMARY CARE ASSOCIATION

**Senate Committee on Ways and Means**

The Hon. Jill N. Tokuda, Chair

The Hon. Ronald D. Kouchi, Vice Chair

**Testimony on House Bill 581 HD 1 SD 1**  
**Relating to the Hospital Sustainability Program**  
**Submitted by Nani Medeiros, Public Affairs and Policy Director**  
**March 31, 2015, 9:00 am, Room 211**

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.



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**Tuesday, March 31, 2015 – 9:00 a.m.**  
**Conference Room #211**

**Senate Committee on Ways and Means**

To: Senator Jill Tokuda, Chair  
Senator Ron Kouchi, Vice Chair

From: George Greene, President & CEO  
Healthcare Association of Hawaii

Re: **Testimony in Strong Support**  
**HB581 HD1 SD1 — 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 SD1, 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.

We continue to maintain dialogue with the Department of Human Services on minor technical amendments to this bill and are hopeful of reaching consensus in the near future.

Thank you for the opportunity to testify in strong support of HB581 HD1 SD1.