



**STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES**

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March 16, 2015

TO: The Honorable Suzanne Chun Oakland, Chair  
Senate Committee on Human Services and Housing

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

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 581, H.D.1 - RELATING TO THE HOSPITAL  
SUSTAINABILITY PROGRAM**

Hearing: Tuesday, March 17, 2015; 1:45 p.m.  
Conference Room 016, 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 and Act 123. Session Laws of Hawaii 2014, by extending the sunset date of the Act to June 30, 2016, updating the referral dates in the statute, and revising the funding amount of the Hospital Sustainability Program Special Fund for fiscal year 2015-2016.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) provides comments on this 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. DHS informs the committee that DHS continues to discuss amended language proposed by the Healthcare Association of Hawaii and the Centers for Medicare and Medicaid Services.

In reviewing H.B 581 HD1, the DHS respectfully requests the following amendments:

- Based on a recommendation from the Department of Health we are requesting that SECTION 1. (d), (page 3, line 14):  
  
"(b) The department shall use moneys from the hospital sustainability program special fund to make direct upper payment limit payments to level 2 trauma centers [designated] verified by the American College of Surgeons and designated by the department of health including recognized [and] specialty children's hospitals that do not pay both the inpatient and outpatient assessments."
- Recommended language proposed by the Department of Attorney General was accepted for HD1 however we respectfully request the following amendments to correct cross references to other section numbers in the bill resulting from adding SECTION 3:
  - SECTION 8, (page 15, line 14), "section 5" should be changed to "section 6";
  - SECTION 8, (page 15, line 16), "sections 3 and 4" should read "sections 4 and 5".

The appropriation of \$50 million in Section 6 of the bill, which does not require any appropriation from general funds, will ensure that Hawaii is able to match the maximum amount allowed under federal regulations, with federal funds, to benefit Hawaii's hospitals statewide.

In general, upon further comparison of senate version SB 806 SD 2 and HB 581 HD 1, the differences, for the most part, are technical in nature.

The DHS is in active discussion with the Healthcare Association of Hawaii on proposed amendments related to supplemental uncompensated care and upper payment limit payments language and optimistic that agreement on language to include in the bill will be reached shortly.

The hospital sustainability program 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 and in fiscal year 2013-2014 hospitals were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367. In fiscal year 2014-2015 it is anticipated that the hospitals will be assessed \$46,621,994 in sustainability fees and estimated to receive additional reimbursements of \$84,687,653.

Additionally, twelve percent of the revenues from the fees collected are to be used by the DHS for administrative expenses and to increase and improve services for Medicaid program recipients. The entirety of the 12% that DHS retains of the fees collected are paid out as follows: \$2,016,000 goes back to hospitals to restore a 3% reduction implemented in 2008 due to the downturn in the State's economy, \$1,000,000 "replaces" \$1,500,000 that the Legislature removed from HMS902 during the Lingle Administration and has not been restored, \$39,357 for services of a pharmacist, dentist and psychiatrist, and \$1,376,660 for additional behavioral health services for the seriously mentally ill. Additional general funds are required to pay the balance of the 3% reduction.

This bill proposes to also continue exempting the Hospital Sustainability Program Special Fund from the central service expenses assessed under section 36-27, HRS and the administrative expenses assessed under section 36-30, HRS. This exemption will ensure that all moneys received in fees will only be used to increase the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Hospital Sustainability program would have to pay a \$2.5 million in central services and \$500,000 in department administrative services assessments. This is a total of \$3 million which the Department would not be able to use to sustain hospitals and improve services to Medicaid recipients. In paying these expenses, \$3 million in matching federal funds that otherwise would have been paid to the hospitals would not be received and enter our economy. What would be a \$3 million gain for the State would be a \$6 million loss for the hospitals without the exemption.

Thank you for the opportunity to testify on this bill