
A BILL FOR AN ACT

RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Act 217, Session Laws of Hawaii 2012, as amended
2 by section 1 of Act 141, Session Laws of Hawaii 2013, as amended
3 by section 1 of Act 123, Session Laws of Hawaii 2014, and as
4 amended by section 1 of Act 70, Session Laws of Hawaii 2015, as
5 applicable, is amended by amending section 2 as follows:

6 (1) By amending the definitions of "net patient service
7 revenue" and "private hospital" in section -3, Hawaii Revised
8 Statutes, to read as follows:

9 "Net patient service revenue" means gross revenue from
10 inpatient and outpatient care provided to hospital patients
11 converted to net patient revenue utilizing data from Worksheets G-
12 2 and G-3 of each hospital's medicare cost report for fiscal year
13 [~~2012-2013.~~] 2013-2014. If the hospital is new or did not file a
14 fiscal year medicare cost report, the department shall obtain the
15 hospital's net patient service revenue from the most recent period
16 available.

17 "Private hospital" means those non-public hospitals named in
18 attachment A of the medicaid section 1115 demonstration waiver

H.B. NO. 2341

1 that were in operation in calendar year [~~2014~~] 2015 and are
2 currently operating."

3 (2) By amending subsections (c) and (d) of section -5,
4 Hawaii Revised Statutes, to read as follows:

5 "(c) The hospital sustainability fee for inpatient care
6 services may differ from the fee for outpatient care services but
7 the fees shall not in the aggregate exceed three per cent of net
8 patient service revenue as derived from the hospital's medicare
9 cost report ending during state fiscal year [~~2012-2013-~~] 2013-
10 2014. The inpatient hospital sustainability fee shall be 1.892
11 per cent of net inpatient hospital service revenue. The
12 outpatient hospital sustainability fee shall be three per cent of
13 net outpatient hospital service revenue. Each fee shall be the
14 same percentage for all affected hospitals, subject to subsection
15 (d).

16 (d) The department shall exempt children's hospitals,
17 federal hospitals, public hospitals, rehabilitation hospitals, and
18 psychiatric hospitals, and any hospital that was not in private
19 operation during any part of calendar year [~~2014~~] 2015 from the
20 hospital sustainability fees on inpatient services. In addition,
21 the department shall exempt hospitals with net outpatient revenue
22 of less than \$50,000,000 per year (based on fiscal year [~~2012-~~

H.B. NO. 2341

1 ~~2013]~~ 2013-2014 reports) and public hospitals, and any hospital
2 that was not in private operation during any part of calendar year
3 [~~2014]~~ 2015 from the hospital sustainability fee on outpatient
4 care services."

5 (3) By amending section -10, Hawaii Revised Statutes, as
6 follows:

7 (A) By amending subsection (a) to read as follows:

8 "(a) The department shall use moneys solely from the
9 hospital sustainability program special fund to make direct
10 payments to private hospitals, pursuant to the terms of the
11 section 1115 waiver, in an amount equal to \$88,000,000 to cover
12 the uncompensated care costs incurred by private hospitals for
13 serving medicaid and uninsured individuals during state fiscal
14 year [~~2015-2016-]~~ 2016-2017."

15 (B) By amending subsection (d) to read as follows:

16 "(d) Each eligible hospital's quarterly payment shall be
17 equal to one-quarter of its prorated share of uncompensated care
18 costs for the fiscal year in which payment is made, as derived
19 from the uncompensated care costs reported by all private
20 hospitals for fiscal year [~~2012-2013-]~~ 2013-2014; provided that:

H.B. NO. 2341

1 (1) Outpatient uncompensated care costs shall be reimbursed
2 at one hundred per cent of reported uncompensated care
3 costs; and

4 (2) Inpatient uncompensated care costs shall be reimbursed
5 on a prorated share based on the remaining uncompensated
6 care amounts available through the section 1115 waiver."

7 SECTION 2. Act 217, Session Laws of Hawaii 2012, as amended
8 by section 2 of Act 141, Session Laws of Hawaii 2013, as amended
9 by section 2 of Act 123, Session Laws of Hawaii 2014, and as
10 amended by section 2 of Act 70, Session Laws of Hawaii 2015, is
11 amended by amending section 5 to read as follows:

12 "SECTION 5. This Act shall take effect on July 1, 2012, and
13 shall be repealed on June 30, [~~2016~~] 2017; provided that
14 section -4, Hawaii Revised Statutes, in section 2 of this Act,
15 and the amendment to section 36-30(a), Hawaii Revised Statutes, in
16 section 3 of this Act, shall be repealed on December 31, [~~2016~~]
17 2017; provided further that the amendment to section 36-30(a),
18 Hawaii Revised Statutes, in section 3 of this Act, shall not be
19 repealed when section 36-30, Hawaii Revised Statutes, is reenacted
20 on June 30, 2015 pursuant to section 34(3) of Act 79, Session Laws
21 of Hawaii 2009."

H.B. NO. 2341

1 SECTION 3. Act 123, Session Laws of Hawaii 2014, as amended
2 by section 3 of Act 70, Session Laws of Hawaii 2015, is amended by
3 amending section 7 to read as follows:

4 "SECTION 7. This Act shall take effect on June 29, 2014;
5 provided that:

6 (1) Section 5 shall take effect on July 1, 2014;

7 (2) The amendments made to sections 36-27(a) and 36-30(a),
8 Hawaii Revised Statutes, in sections 3 and 4 of this Act
9 shall not be repealed when sections 36-27 and 36-30,
10 Hawaii Revised Statutes, are reenacted on June 30, 2015,
11 pursuant to section 34 of Act 79, Session Laws of Hawaii
12 2009; and

13 (3) The amendments made to sections 36-27(a) and 36-30(a),
14 Hawaii Revised Statutes, in sections 3 and 4 of this Act
15 shall be repealed on December 31, [~~2016-~~] 2017."

16 SECTION 4. There is appropriated out of the hospital
17 sustainability program special fund the sum of \$50,000,000 or so
18 much thereof as may be necessary for fiscal year 2016-2017 to be
19 used for the purposes of the hospital sustainability program
20 special fund.

21 The sum appropriated shall be expended by the department of
22 human services for the purposes of this Act.

H.B. NO. 2341

1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act, upon its approval, shall take effect on
4 July 1, 2016; provided that sections 1, 2, and 3 of this Act shall
5 take effect on June 29, 2016.

6
7 INTRODUCED BY: _____



8 BY REQUEST

JAN 25 2016

H.B. NO. 2341

Report Title:

Hospital Sustainability Program; Hospital Sustainability Program
Special Fund; Appropriation

Description:

Continues the Hospital Sustainability Program for one
year. Appropriates funds out of the Hospital Sustainability
Program Special Fund for fiscal year 2016-2017.

*The summary description of legislation appearing on this page is for informational purposes only and is
not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

PURPOSE: 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, Act 123, Session Laws of Hawaii 2014, and Act 70 Session Laws of Hawaii 2015, by extending the sunset date of the Act to June 30, 2017, updating the referral dates in the statute, and appropriating funding out of the Hospital Sustainability Program Special Fund for fiscal year 2016-2017.

MEANS: Amend sections 2 and 5 of Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013, Act 123, Session Laws of 2014, and Act 70, Session Laws of 2015; amend section 7 of Act 123, Session Laws of Hawaii 2014, as amended by Act 70, Session laws of Hawaii 2015; and adding appropriation language.

JUSTIFICATION: Act 217, Session Laws of Hawaii 2012, as amended by Act 141, Session Laws of Hawaii 2013, Act 123, Session Laws of Hawaii 2014, and Act 70, Session Laws of Hawaii 2015 established a Hospital Sustainability Program and the Hospital Sustainability Program Special Fund (the Special Fund). The Special Fund receives moneys from the hospital sustainability fee, which is used to receive federal Medicaid matching funds under the Medicaid Section 1115 Demonstration Waiver and is used to increase reimbursements to the hospitals. The Hospital Sustainability Program will be repealed on June 30, 2016, with funding provisions to be repealed on December 31, 2016.

This bill proposes to extend the Hospital Sustainability Program and the Special Fund for another year.

The Hospital Sustainability Program levies a fee on non-governmental hospitals and uses that revenue 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 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. In fiscal year 2013-2014, the hospitals were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367. In fiscal year 2014-2015 the hospitals were assessed \$46,621,994 in sustainability fees and received \$84,687,653 in additional reimbursements.

The twelve percent of the revenues from the fees collected are to be used by the Department to increase and improve services for Medicaid program recipients.

Impact on the public: Hawaii residents benefit by having more sustainable hospitals and, thereby, have increased access to necessary medical care. Health care services for low-income, vulnerable residents will be increased and improved.

Impact on the department and other agencies: The Department of Human Services will benefit by receiving some additional funds to support its programs.

GENERAL FUND:

None.

OTHER FUNDS: \$50,000,000 Hospital Sustainability Program
Special Fund.

PPBS PROGRAM
DESIGNATION: HMS 401.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: July 1, 2016; Sections 1, 2, and 3 effective
June 29, 2016.