

Honolulu, Hawaii

MAR 04 2016

RE: S.B. No. 2330  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2330, S.D. 1, 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 extend the hospital sustainability program for another year until December 31, 2017, and to appropriate funds out of the hospital sustainability program special fund for fiscal year 2016-2017.

This measure also amends the disbursements of revenues from the hospital sustainability fee.

Your Committee received written comments in support of this measure from the Department of Human Services, Healthcare Association of Hawaii, Hawaii Primary Care Association, Hawaii Pacific Health, and The Queen's Health Systems.

Your Committee received written comments on this measure from the Department of the Attorney General.

Your Committee finds that in recognition that Medicaid payments to hospitals were far below the actual costs of care, the Legislature enacted Act 217, Session Laws of Hawaii 2012, which created the hospital sustainability program, which improves Medicaid payments to hospitals. The program achieves this increase by assessing a fee on hospitals based on their patient



revenue. The funds generated by those fees are then used to obtain additional federal Medicaid funds, which are deposited in the hospital sustainability program special fund and distributed back to private hospitals. Payment back to facilities is based upon the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving underinsured and uninsured patients. Importantly, no state funds are contributed to the hospital sustainability program. Because of this program, Medicaid payments are now closer to the actual costs of care, thereby reducing losses and improving the financial stability of hospital systems. The program has made it possible for hospitals to cover eighty-six per cent of their costs related to Medicaid patients, up from seventy-five per cent without the program. It is clear that the hospital sustainability program helps to ensure that Medicaid patients will maintain access to needed hospital care.

Your Committee has amended this measure by:

- (1) Changing to an unspecified number of business days the time period in which payments by Medicaid managed care health plans must be made after the receipt of monthly capitation rates from the Department of Human Services; and
- (2) Making numerous technical amendments suggested by the Department of Human Services and Healthcare Association of Hawaii.

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 S.B. No. 2330, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2330, S.D. 2.

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

  
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JILL N. TOKUDA, Chair



**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

\*Only one measure per Record of Votes