



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 13, 2016

TO: The Honorable Representative Della Au Belatti, Chair
House Committee on Health

The Honorable Representative Dee Morikawa, Chair
House Committee on Human Services

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2330 SD 2 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Monday, March 14, 2016, 2:00 pm
Conference Room 329, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the bill and provides comments.

PURPOSE: The purpose of the bill is to continue the hospital sustainability program for one year and to appropriate funds out of the hospital sustainability program special fund for fiscal year 2016-2017. Amends various reimbursement rates under the program to certain private hospitals through Medicaid managed care health plans, uncompensated care and disproportionate share hospital payments.

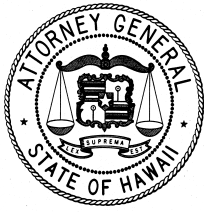
The Department of Human Services (DHS) appreciates and supports the intent of the bill to continue the hospital sustainability program for an additional year, and amend the program by adding additional uses of the hospital sustainability program special fund.

In Section 1, the purpose of the hospital sustainability special fund states that the fee shall be used for four main purposes. However, the Department does not have the federal authority to operate each element such as the quality pool. Thus, we suggest revising the

language to allow for flexibility to use the funds for any of the four provisions listed, not necessarily for each provision.

There are also changes in SB 2330 SD 2 on page 6, lines 8-20, that change what hospitals are exempted or not from paying the fee. In SB 2330 SD 2, the Senate deleted the exemption of rehabilitation hospitals from the inpatient hospital sustainability fee. We suggest that the psychiatric hospitals should be exempt from the outpatient hospital sustainability fee. The change that no longer exempts rehabilitation hospitals as well as other changes may affect the calculations upon which the initial 2013 CMS waiver of the broad-based requirements for provider fees were based, and the Department may, therefore, need to obtain an updated waiver of the broad-based provisions from CMS. We request flexibility in this portion of the bill in the event that we are unable to secure the necessary waiver as exactly stated in the bill. For example, “notwithstanding Section 3 of this bill, nothing shall require the Department to exempt a facility from the tax if it is not approved by the federal government”.

Thank you for the opportunity to testify on this bill.



TESTIMONY OF THE DEPARTMENT OF THE ATTORNEY GENERAL TWENTY-EIGHTH LEGISLATURE, 2016

ON THE FOLLOWING MEASURE:

S.B. NO. 2330, S.D. 2, RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.

BEFORE THE:

HOUSE COMMITTEES ON HEALTH, AND ON HUMAN SERVICES

DATE: Monday, March 14, 2016

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 329

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Lee-Ann N. M. Brewer, Deputy Attorney General

Chairs Belatti and Morikawa, and Members of the Committees:

The Department of the Attorney General provides comments on Senate Bill No. 2330, Senate Draft 2, which continues the hospital sustainability program for one year, amends the definition of “private hospital,” changes the amount of the hospital sustainability fee and mechanisms for disbursing the funds, and makes an appropriation out of the hospital sustainability program special fund (the special fund) for fiscal year 2016-2017.

The Centers for Medicare and Medicaid Services (CMS) granted the Department of Human Services (the Department) a waiver of the broad-based requirements under section 1903(w)(3)(E) of the Social Security Act, effective July 1, 2013. This allowed the Department to exempt children’s, psychiatric, and rehabilitation hospitals from some or all of the fees, and assess the fee at a rate of 2.365 percent for net 2011 inpatient hospital revenue and three percent for net 2011 outpatient hospital revenue. The hospital sustainability fee was, therefore, found to be “generally redistributive” as required under 42 C.F.R. § 433.68(e)(1).

The rate imposed on net inpatient hospital revenues has varied slightly over the last three years, and is currently 1.892 percent. Senate Draft 2 of this bill deletes the exemption for rehabilitation hospitals from the inpatient hospital sustainability fee, and changes the rate of the hospital sustainability fee on net inpatient hospital service revenue from the current 1.892 percent to “not to exceed three per cent.” Senate Draft 2 also exempts certain hospitals with net outpatient revenue of less than \$57,000,000 per year from the hospital sustainability fee on outpatient services, based upon fiscal year 2013-2014 cost reports, which is an increase from the current threshold of \$50,000,000. In addition, the program should exempt psychiatric and rehabilitation hospitals from the outpatient hospital sustainability fee, based on the 2013 CMS

waiver. Combined, all of these factors may affect the calculations upon which the initial CMS waiver of the broad-based requirements was based, and the Department may therefore need to obtain an updated waiver of the broad-based provisions from CMS.

Senate Draft 2 of the bill also makes changes to the uses of the hospital sustainability fee beginning at page 4, line 10. This is drafted as a mandate to use the revenue from the hospital sustainability fee for all four of the listed options, some of which may require federal approval. Section -7, Hawaii Revised Statutes, in section 2 of Act 217, Session Laws of Hawaii 2012, requires the Department to seek necessary federal approvals. However, if the Department does not obtain the federal approval that may be necessary to execute one or more of these options, then the Department may be out of compliance with the State statutory mandate, as currently drafted.

Accordingly, we respectfully recommend that the sentence beginning on page 4, line 10, be reworded to provide “No less than eighty-eight per cent of the revenue from the hospital sustainability fee shall be used for one or more of the following:”, and that the word “and” on page 5, line 2, be changed to “or.”

Finally, we make the following technical comment on page 5, line 12: we recommend that paragraph (3) should be amended to add the phrase “hospital sustainability program” before “special fund.”

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 14, 2016 8:05 AM
To: HLTtestimony
Cc: ecabatu@hhsc.org
Subject: Submitted testimony for SB2330 on Mar 14, 2016 14:00PM

SB2330

Submitted on: 3/14/2016

Testimony for HLT/HUS on Mar 14, 2016 14:00PM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	East Hawaii Region of Hawaii Health Systems Corporation	Comments Only	No

Comments: On behalf of the East Hawaii Region of Hawaii Health Systems Corporation, please accept this late testimony in support of SB 2330. We strongly believe that the Hospital Sustainability Program will help ensure that Medicaid patients maintain access to needed hospital care.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Della Au Belatti, Chair, Committee on Health
The Honorable Richard P. Creagan, Vice Chair, Committee on Health
Members, Committee on Health

The Honorable Dee Morikawa, Chair, Committee on Human Services
The Honorable Bertrand Kobayashi, Vice Chair, Committee on Human Services
Members, Committee on Human Services

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

Date: March 11, 2016

Hrg: House Committee on Health and Committee on Human Services Joint Hearing; Monday,
March 14, 2016 at 2:00 p.m. in Room 329

Re: **Support for SB 2330, SD2, Relating to the Hospital Sustainability Program**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems (QHS). I would like to express my **strong support** for SB 2330, SD2, relating to the Hospital Sustainability Program. This bill would reauthorize the Hospital Sustainability Program for an additional year.

For several years, hospitals have faced declining federal payments for providing uncompensated care to high need populations. The Hospital Sustainability Program assists hospitals in mitigating the losses for providing critical health care services. The program does so by issuing a fee to hospital providers in the state of Hawaii, including QHS. The funds generated by this fee are used by the state to obtain matching federal Medicaid funds, which are reallocated back to private hospitals.

Annually, QHS provides community benefits in excess of \$90 million for care and other community need programs that are unfunded or underfunded. The Hospital Sustainability Program helped QHS offset a portion of those costs.

I ask that you support this legislation and the continuation of the Hospital Sustainability Program.

Thank you for your time and consideration of this matter.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Health and Committee on Human
Services**

**Monday, March 14, 2016 at 2:00 P.M.
Conference Room 329, State Capitol**

**RE: SENATE BILL 2330 SD 2 RELATING TO THE HOSPITAL SUSTAINABILITY
PROGRAM**

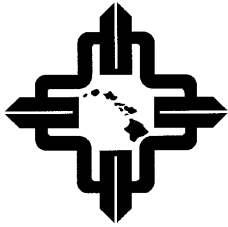
Chairs Belatti and Morikawa, Vice Chairs Creagan and Kobayashi, and Members of the
Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 2330 SD 2, which
continues the nursing facility sustainability program for one additional year and appropriates
funds out of the nursing facility sustainability program special fund for fiscal year 2016-2017.

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"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan, Vice Chair

House Committee on Human Services
Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair

March 14, 2016
Conference Room 329
2:00 p.m.
Hawaii State Capitol

**Testimony Supporting Senate Bill 2330, SD 2 Relating to the Hospital
Sustainability Program**

Continues the hospital sustainability program for one year. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2016-2017.

Amends various reimbursement rates under the program to certain private hospitals through medicaid managed care health plans, and uncompensated care and disproportionate share hospital payments.

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 in strong support of 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 MedQUEST program. 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 respectively recommend the Committee's support of this measure.



March 14, 2016 at 2:00 PM
Conference Room 329

House Committee on Health
House Committee on Human Services

To: Chair Della Au Belatti
Vice Chair Richard P. Creagan

Chair Dee Morikawa
Vice Chair Bertrand Kobayashi

Re: Testimony in Support
SB 2330 SD 2, Relating to the Hospital Sustainability Program

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 180 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

We would like to thank the committees for the opportunity to **support** SB 2330 SD 2. This legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals to offset some of the losses they incur taking care of the most underserved in our state. HAH's proposed legislation would extend the program through June 30, 2017, and make other adjustments to the program as necessary.

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 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 on the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving under- 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 our hospital system. The program made it possible for hospitals to cover 86 percent of their costs related to Medicaid patients, up from 75 percent without the program. It is clear that the Hospital Sustainability Program helps to ensure that Medicaid patients will maintain access to needed hospital care.

We appreciate your consideration of this important matter, and urge your support of this measure.



March 14, 2016

The Honorable Della Au Belatti, Chair
House Committee on Health
The Honorable Dee Morikawa, Chair
House Committee on Human Services

Re: SB 2330, SD2 – Relating to the Hospital Sustainability Program

Dear Chair Au Belatti, Chair Morikawa, and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 2330, SD2, which appropriate funds for the Hospital Sustainability Program and amends the Program reimbursement rates for private hospitals. HMSA supports the intent of this Bill.

HMSA certainly appreciates and have been supportive of the concept behind the Hospital Sustainability Program. We had a concern with an earlier draft of this Bill with respect to the timing required to transfer payments from the Department of Human Services (DHS), thru the plans, to the hospitals. However, in working with the Healthcare Association of Hawaii and DHS, we believe SB 2330, SD2, may alleviate our concerns.

Thank you for allowing us to testify on SB 2330, SD2.

Sincerely,

Jennifer Diesman
Vice President, Government Relations

HLTtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 12, 2016 11:30 AM
To: HLTtestimony
Cc: zabal7@upwhawaii.org
Subject: Submitted testimony for SB2330 on Mar 14, 2016 14:00PM
Attachments: Testimony SB2330, SD2 Hospital Sustainability.html

Categories: Blue Category

SB2330

Submitted on: 3/12/2016

Testimony for HLT/HUS on Mar 14, 2016 14:00PM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Al Lardizabal	United Public Workers	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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House Committee on Human Services

The Hon. Dee Morikawa, Chair

The Hon. Bertrand Kobayashi, Vice Chair

House Committee on Health

The Hon. Della Au Belatti, Chair

The Hon. Richard P. Creagan, Vice Chair

Testimony on Senate Bill 2330, SD2

Relating to the Hospital Facility Sustainability Program

Submitted by Dustin Stevens, Public Affairs and Policy Director

March 14, 2016, 2:00 pm, Room 329

The Hawaii Primary Care Association supports Senate Bill 2330, which continues the Hospital Sustainability Program.

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.

Recognizing the vital role that hospitals play in Hawaii's healthcare infrastructure, the HPCA supports this measure and thanks you for the opportunity to testify.