

DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

BRIDGET HOLTHUS
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 28, 2017

TO: The Honorable Senator Jill N. Tokuda, Chair
Senate Committee on Ways & Means

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 89 HD 1- Relating to the Hospital Sustainability Program**

Hearing: March 28, 2017, 1:30 p.m.
Conference Room 211, State Capitol

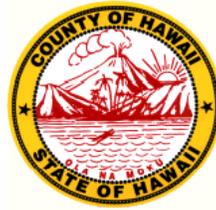
DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify in support.

PURPOSE: The purpose of the bill is to preserve access to health care for Medicaid recipients by extending the hospital sustainability program; appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019. The House Committees on Human Services and Health amended the measure by amending the appropriation to an unspecified amount, defecting the effective date, and making technical amendments.

This original version of the bill is nearly identical to the Administration's bills HB 1096/SB 962, therefore, we express strong support for this bill. The hospital sustainability program has been operating for several years now, and thus, the one substantive change to prior years' Hospital Sustainability bills is the request to extend the program and exemptions from the applicable special fund fees for two years as opposed to one year.

Thank you for the opportunity to testify on this bill.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i

Office of the Mayor

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Dear Chair Tokuda and Members:

Re: HB 89, HD1 hospital sustainability

Although healthcare is generally thought to be a “State” rather than a “County” issue, I have never seen it that way. In fact, in my first terms as Mayor, I declared healthcare to be a critical issue for Hawaii County, because it was clear that we had a worsening physician shortage and that healthcare on the neighbor islands was in a perilous position.

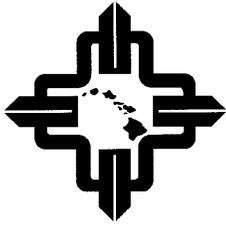
Unfortunately, eight years later, and despite ongoing community efforts, the crisis continues.

Our hospitals provide the safety net that is so vital to neighbor islands, where the provider shortage is most acute. And with our relatively low-income population, Hawaii County residents are often reliant on Medicaid.

Please help to keep our hospitals financially viable by acting favorably on HB 89, HD1.

Respectfully submitted,

Harry Kim
Mayor
County of Hawaii



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

**Senate Committee on Ways and Means
Sen. Jill N. Tokuda, Chair
Sen. Donovan M. Dela Cruz, Vice Chair**

March 28, 2017
Conference Room 211
1:30 p.m.
Hawaii State Capitol

Testimony Supporting House Bill 89, HD 1 Relating to the Hospital Sustainability Program
Continues the hospital sustainability program for two years. Appropriates funds out of the hospital sustainability program special fund for fiscal year 2017-2018 and 2018-2019.

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 H.B. 89, H.D. 1 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

Page 2
March 28, 2017
H.B. 89, H.D. 1

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.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair
Members, Committee on Ways and Means

From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: March 24, 2017
Hrg: Senate Committee on Ways and Means Hearing; Tuesday, March 28, 2017 at 1:30PM in
Room 211

Re: **Support for HB 89, HD1, SD1, 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). QHS would like to express our **strong support** for HB 89, HD1, SD1, Relating to Hospital Sustainability Program. This bill continues the Hospital Sustainability Program for two years. It also appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019.

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.

In FY 2015, QHS provided community benefits of \$101.5 million for care and other community need programs that are unfunded or underfunded. Of that \$101.5 million, \$54.2 million, or 53 percent, is our Medicaid Reimbursement Shortfall. The Hospital Sustainability Program helps QHS offset a portion of these costs.

I ask that you support this legislation and the continuation of the Hospital Sustainability Program. Thank you for your time and attention to this important issue.

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.



March 28, 2017 at 1:30 PM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Paige Heckathorn
Senior Manager, Legislative Affairs
Healthcare Association of Hawaii

Re: **Testimony in Support**
HB 89 HD 1, 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 160 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.

The Healthcare Association of Hawaii would like to thank the committee for the opportunity to **support** HB 89 HD 1. This legislation would amend and extend the Hospital Sustainability Program, which has helped Hawaii hospitals offset some of the losses they incur taking care of the most underserved in our state. HAH's proposed legislation would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. Notably, this legislation authorizes the program for two years. (Previously, the program was authorized annually.) This change is supported by HAH members and our partners at the Department of Human Services.

Recognizing that Medicaid payments to hospitals were far below the actual costs of care, the Legislature created the Hospital Sustainability Program in 2012. This program improves Medicaid payments to hospitals 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 a 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—in fact, the state is able to use a portion of the fees to support Medicaid activities.

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 health care system. However, even with this program, hospitals continue to experience shortfalls, with data from the latest year available (2013) showing \$76 million in uncompensated losses. We humbly request that the State Legislature continue its support of this program. Thank you for your time and consideration of this measure.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Tuesday, March 28, 2017 at 1:30 P.M.
Conference Room 211, State Capitol**

**RE: HOUSE BILL 89 HD1 RELATING TO THE
HOSPITAL SUSTAINABILITY PROGRAM**

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 89 HD1, which continues the Hospital Sustainability Program for two years; appropriates funds out of the Hospital Sustainability Program Special Fund for Fiscal Years 2017-2018 and 2018-2019.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

March 28, 2017 at 1:30pm
Conference Room 211

Senate Committee on Ways and Means

To: Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

From: Michael Robinson
Vice President – Government Relations & Community Affairs

Re: HB 89, HD1 – Testimony in Support

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system with over 70 locations statewide including medical centers, clinics, physicians and other caregivers serving Hawai'i and the Pacific Region with high quality, compassionate care. Its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox – specialize in innovative programs in women's health, pediatric care, cardiovascular services, cancer care, bone and joint services and more. Hawai'i Pacific Health is recognized nationally for its excellence in patient care and the use of electronic health records to improve quality and patient safety.

I am writing in support of HB 89, HD 1 which provides funding to continue the Hospital Sustainability Program for the fiscal years 2017-2018 and 2018-2019.

Recognizing that Medicaid payments to hospitals remain below the actual costs of delivering care in an acute care setting, 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 enable the State 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 approach becoming closer to the actual costs of care, thereby reducing losses and improving the financial stability of our hospital system.

The continuation of the Hospital Sustainability Program through HB 89, HD 1 will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.

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