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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. 582 HD1 - RELATING TO THE NURSING FACILITY
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 Nursing Facility Sustainability Program for an additional year. Appropriates funds out of the Nursing Facility Sustainability Program Special Fund for Fiscal Year 2015-2016.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this measure that proposes to extend the Nursing Facility Sustainability Program for another year. The DHS and the Healthcare Association of Hawaii continue to work collaboratively on the Nursing Facility Sustainability Program Fund and this bill will continue to help sustain nursing facilities so that there will be continued access to needed resources by the residents of the State.

In reviewing H.B. 582 HD1, the recommended language from the Department of Attorney General was adopted which included the addition of a new SECTION 5 that will be effective

June 29, 2015. Therefore to ensure SECTION 5 is correctly implemented, we respectfully ask for the following amendment to be made to SECTION 8, paragraph (2):

"(2) Sections 3, 4 and 5 of this Act shall take effect on June 29, 2015."

Comparison with SB 262 SD 2. A section by section comparison of the similar SB 262 SD 2 and HB 582 HD 1 is difficult as the chambers have organized their respective bill drafts differently. For example, Section 1 of HB 582 HD 1 begins with amendment to section 36-27, HRS, on central service expenses of government in relation to special funds, and the senate version addresses the amendment in Section 4. Similarly, Section 2 of HB 582 HD 1 addresses amendments to section 36-30, HRS, the exemption from the administrative expenses for the special fund, the senate version addresses the matter at Section 5 of SB 262 SD 2. Further, the two chambers extend the two exemptions in different technical ways, where the House deletes each section from the referenced statutes, sections 36-27 and 36-30, and adds an additional section to address each exemption; the senate version adds the amendments by extending the exemption in the existing sections. The Senate version SB262 SD 2 is much closer in format and structure to the Administration's proposals SB1103 and HB934. However, the most important issue is to continue the exemptions from the central services expenses fee and the department administrative expenses fee. There may be other differences.

Background. This measure preserves the exemption from section 36-27, Hawaii Revised Statutes (HRS) and section 36-30, HRS. Without these two exemptions from the Central Services expenses fee (section 36-27) and the Department Administrative expenses fee (section 36-30), the Nursing Facility Sustainability Program will have to pay \$600,000 in central services expenses assessed under section 36-27 and \$120,000 for departmental administrative services expenses assessed under section 36-30 for state fiscal year 2016. This is a total of \$720,000 that

the DHS will not be able to use for direct services that would help sustain nursing facilities and improve services to Medicaid recipients.

The Nursing Facility Sustainability Program fee is levied on non-governmental nursing facilities and the revenue from the program fee is used to leverage federal funds and increase reimbursements to nursing facilities, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the long-term care safety-net.

In fiscal year 2012-2013, the nursing facilities were assessed \$11,535,405 in sustainability fees and received \$21,086,740 in additional reimbursement; in fiscal year 2013-2014 nursing facilities were assessed \$11,436,642 and received \$20,906,201 in additional reimbursement. In fiscal year 2014-2015 it is anticipated that the nursing facilities will be assessed \$10,346,784 in fees and receive \$21,614,340 in additional reimbursements.

The DHS utilized the entire 12% (\$1.4 million) of the sustainability fees authorized for use by the DHS to fund the restoration of the 3% reduction in reimbursement rates for the nursing facilities. In fiscal year 2012-2013, the DHS retained \$1,384,248 of the sustainability fees and when combined with federal matching funds, resulted in the DHS being able to provide the nursing facilities approximately \$2.9 million in increased reimbursement. For fiscal year 2013-2014, the DHS retained \$1.37 million to provide \$2.8 million in increased reimbursement. In fiscal year 2014-2015, the DHS anticipates retaining approximately \$1,410,000 in sustainability fees to improve services for Medicaid program recipients and increase reimbursement to the nursing facilities by \$3.5 million.

Thank you for the opportunity to testify on this bill.