

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 28, 2014

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2294, H.D.1, S.D.1 - RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Hearing: Friday, March 28, 2014; 9:35 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to continue the Nursing Facility Sustainability Program, established by Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, by extending the sunset date of Act 156, Session Laws of Hawaii 2012, updating the referral dates in the statute, and appropriating funding out of the Nursing Facility Sustainability Program Special Fund for fiscal year 2014-2015.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration measure as it proposes to extend the Nursing Facility Sustainability Program for another year. The DHS, the Healthcare Association of Hawaii, and the Hawaii Long Term Care Association have worked collaboratively on this bill that will help to sustain nursing facilities so that there will be continued access to needed resources by the residents of the State.

The appropriation of \$12 million in Section 3 of the bill, which does not require any appropriation from the general funds, will ensure that Hawaii is able to match the maximum amount allowed under federal regulations with federal funds that will benefit nursing facilities statewide.

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 it is anticipated that the nursing facilities will be assessed \$11,436,642 and will receive \$20,906,201 in additional reimbursement.

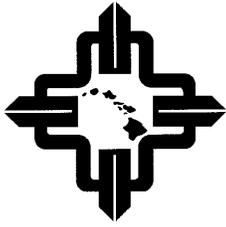
The DHS utilized 12% of the sustainability fees authorized for use by the DHS to restore the 3% reduction in reimbursement rates for the nursing facilities. In fiscal year 2012-2013 the DHS retained \$1,384,248 of the sustainability fees and when combined with federal matching funds, resulted in the DHS being able to provide the nursing facilities approximately \$2.9 million in increased reimbursement. For fiscal year 2013-2014, it is estimated that the DHS will retain approximately \$1.37 million in sustainability fees to improve services for Medicaid program recipients and increase reimbursement to the nursing facilities by \$2.8 million.

The exemption for the Nursing Facility Sustainability Program Special Fund from central services expenses assessed under Section 36-27, Hawaii Revised Statutes (HRS), and the continued exemption from the administrative expenses fee assessed under Section 36-30, HRS,

are critical to ensuring that any moneys received in fees will be used only for the sustainability of hospitals in Hawaii and to benefit Medicaid program recipients.

Without these two exemptions the Nursing Facility Sustainability Program would have to pay \$500,000 in central services fees assessed under section 36-27 and \$982,000 for departmental administrative services fees assessed under section 36-30 for fiscal year 2013-2014. This is a total of \$1,482,000 that the Department would not be able to be used for direct services that would help sustain nursing facilities and improve services to Medicaid recipients.

Thank you for the opportunity to testify on this bill.



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

**Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair**

Friday, March 28, 2014

9:35 a.m.

Conference Room 211

Hawaii State Capitol

Testimony Strongly Supporting House Bill 2294, HD1, SD1 Relating to Nursing Facility Sustainability Program. Continues the Nursing Facility Sustainability Program by extending the sunset date of the Act to June 30, 2015, updating the referral dates in the statute, and appropriating funds from the Nursing Facility Sustainability Program Special Fund for fiscal year 2014-2015. Exempts the nursing facility program special fund from central service expenses assessed under section 36-27, Hawaii Revised Statutes. (SD1)

Alice M. Hall

Acting President and 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 HB 2294, HD1, SD1 that continues the Nursing Facility 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 nursing facilities from the QUEST and QUEST Expanded Access (QEXA) 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 nursing facility sustainability fee. This is being done to maximize both the amount of federal funds that the private nursing facilities will receive through the nursing facility sustainability fee program and the amount of federal matching funds the public hospitals can receive under the State of Hawaii's Section 1115 waiver. Since the sustainability fee program was put into place, the public hospitals have been able to fully utilize their certified public expenditures to the maximum extent possible for their exclusive benefit

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as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds has been realized and the private nursing facilities and the public hospitals as a whole are receiving greater reimbursements than before the sustainability program was implemented.

Thank you for the opportunity to testify before this committee. We respectively recommend the Committee's support of this measure.

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March 28, 2014 (9:35 agenda)

To: Chair David Ige and Members
Senate Committee on Ways and Means
From: Bob Ogawa, President
Re: HB 2294, HD1, SD1 Relating to the Nursing Facility
Sustainability Program

The Hawaii Long Term Care Association (HLTCA) strongly supports HB 2294, HD1, SD1, which extends the Nursing Facility Sustainability Program. You are all well-familiar with the substantial financial and services challenges that face our State medicaid system. Long term care facilities, in particular, have been falling into increasingly dire straits just as the leading edge of the Baby Boomer Generation has begun to turn 65. As such, this program offers much-needed support to our troubled senior care infrastructure at the most critical of times.

Very simply, this program uses provider fees to draw down essential additional federal funds to cope with budget shortfalls, rising healthcare costs and ever-expanding medicaid rolls. This has resulted in increased reimbursements to nursing facilities, thus reducing the losses they were incurring, preserving access to care for the medicaid population and helping to ensure sustainability for our long term care system.

Between the HLTCA and the Healthcare Association of Hawaii, we represent all the skilled nursing facility beds in the State of Hawaii. As such, like we did in 2012 and 2013, we present to you a united front in support of this legislation.

Part of HLTCA's mission statement says: *How we provide for Hawaii's kupuna, chronically ill and convalescent disabled is a measure of the respect and compassion we have for them . . . a reflection of our dignity as a society.*

Enabling the nursing facility sustainability program to continue indeed reflects our dignity as a society. It says that we will not let the system fail, because we will not fail our kupuna. Thank you.



Friday – March 28, 2014 – 9:35am
Conference Room 211

The Senate Committee on Ways and Means

To: Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: **Testimony in Strong Support**
HB 2294, HD 1, SD1 — Relating to the Nursing Facility Sustainability Program

The Healthcare Association of Hawaii (HAH) is a 116-member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for this opportunity to testify in strong support of HB 2294, HD1, SD1, which makes adjustments to the Hospital Sustainability Program and extends its sunset date to June 30, 2015.

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.

Specifically, non-government hospitals are assessed an annual fee based on their patient revenues. Payment is based on the amount of a hospital's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid. Although the fees and payments are different for every hospital, the overall goal of the program is being achieved. Medicaid payments to many facilities are now closer to the actual costs of care, thereby reducing their losses and improving their financial stability. As such, the Hospital Sustainability Program ensures that Medicaid patients will continue to have access to the hospital care that they need.

HAH would like to thank Governor Abercrombie and the DHS for their collaboration with HAH and the healthcare community in ensuring the Hospital Sustainability Program's continued success. This

program is critical to ensuring that private hospitals can continue to provide quality healthcare for Medicaid patients in the state.

Thank you for the opportunity to testify in strong support of HB 2294, HD1, SD1.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Ways and Means

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

Testimony on House Bill 2294, HD1, SD1
Relating to the Nursing Facility Sustainability Program
Submitted by Robert Hirokawa, Chief Executive Officer
March 28, 2014, 9:35 am, Room 211

The Hawaii Primary Care Association supports HB 2294, which makes adjustments to the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2015.

The Legislature created this program two years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program increases Medicaid payments to nursing facilities. The program does that by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities.

Thank you for the opportunity to testify.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Friday, March 28, 2014 at 9:35 A.M.
Conference Room 211, State Capitol**

**RE: HOUSE BILL 2294 HD1 SD1 RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 2294 HD1 SD1, which continues the Nursing Facility Sustainability Program by extending the sunset date of the Act to June 30, 2015, updating the referral dates in the statute, and appropriating funds from the Nursing Facility Sustainability Program Special Fund for fiscal year 2014-2015 and exempts the nursing facility program special fund from central service expenses assessed under section 36-27, Hawaii Revised Statutes.

The Chamber is the largest business organization in Hawaii, representing over 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 for nursing facilities. 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.