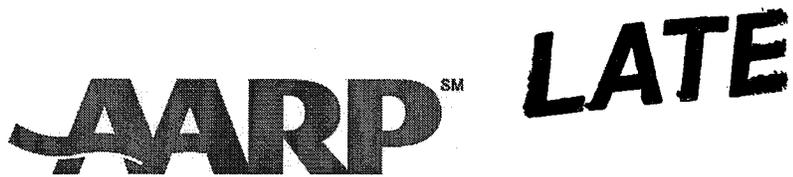


**SB 417**



To: Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

Date: March 3, 2009 - Conference Room 211 – 9:30 a.m.

Re: **SB 417, RELATING TO HEALTH**

Chair Mercado Kim and Committee Members:

My name is Stuart Ho, State President of AARP Hawaii. AARP is a membership organization of people 50 and older with nearly 160,000 members in Hawaii. We are committed to championing access to affordable, quality health care for all generations, providing the tools needed to save for retirement, and serving as a reliable information source on issues critical to Americans age 50+.

I am also Chair of the Hawai'i Long Term Care (LTC) Commission which was established under Act 224 and is charged with the following: "1) Identify problems with long term care capacity, programs and services; 2) Develop a five-year comprehensive long term care plan to accomplish long term care policy goals that, when implemented, will ensure the availability of a full continuum of institutional and community-based services, including benchmarks to evaluate accomplishments for each year; 3) Research public and private financing options and develop recommendations about financial resources, including a mix of public and private financing, necessary to achieve needed state long term care reforms and state public policy goals; 4) Monitor federal legislation for changes that may impact the program and adjust the long term cre plan accordingly; and 3) Collaborate with interested stakeholders, including community coalitions or organizations concerned with educating the public regarding long term care."

**AARP strongly supports SB 417.** The purpose is to provide fair compensation to: 1) acute care hospitals for the service they provide to Medicaid patients who have been treated for acute illnesses and injuries and who have recovered sufficiently so that they may be transferred to long-term care, but for whom long-term care is not available, and 2) LTC facilities for patients in acute hospitals with medically complex conditions when their level of care changes from acute to long-term care.

The waitlist backup in hospitals and underpayment to hospitals and LTC facilities are long-standing and well-known issues in Hawaii. They are symptomatic of problems requiring health and LTC system reforms that would address capacity within hospitals, LTC facilities, home and community based services (HCBS) and transitional supports.

These are issues that the LTC Commission will be examining as part of its agenda, and clear examples as to why a comprehensive look at the system in Hawaii is direly needed. Hawaii will experience rapid population aging over the next 23 years. Five out of every six (83%) Medicaid long-term care dollars for older people and adults with physical disabilities in Hawaii go toward

nursing home care, even though nursing homes serve a relatively small number of people in the state.

According to AARP's 2008 Hawaii Health and Long Term Care Survey of 1000+ residents throughout all four counties of the state, nearly six in ten (57 percent) residents believe that Hawaii's health care and long term care are in a state of crisis or have major problems.

There is clearly an impending crisis in meeting the need for health and long term care services in Hawaii. AARP will support the HLTC in its commitment to addressing problems and solutions that will provide impetus for meeting the state's long-term care policy goals as described in Act 224.

AARP Hawaii supports SB 417 as a measure that will alleviate the financial burden of hospitals and long term care facilities to care for patients who are trapped in a system that is unable to move them to the appropriate level of care.

Thank you for the opportunity to provide comments.

Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

Senate Committee on Ways and Means  
The Honorable Donna Mercado, Chair  
The Honorable Shan S. Tsutsui, Vice Chair

March 3, 2009  
9:30 am  
Conference Room 211

**SB 417 RELATING TO HEALTH (Medicaid Reimbursements)**

Chair Kim and committee members, thank you for this opportunity to provide written testimony on SB417 that establishes reimbursement guidelines and provides appropriations for Medicaid to hospitals and facilities with long term care beds.

**Kaiser Permanente Hawaii supports this bill.**

It has been estimated that Hawaii hospitals lost approximately \$73 Million last year due to delays in discharging patients waitlisted for long term care. According to a report to the legislature by the Healthcare Association of Hawaii in January of last year, there were on average 200, and sometimes as many as 275, patients waitlisted daily in acute care hospitals statewide awaiting placement to long term care beds. Duration of these delays ranged from days or weeks, to months and sometimes years.

Because Medicaid reimburses acute care hospitals at a rate based upon the level of care needed by the patient, when a patient is well enough to be transferred to long term care, Medicaid payments to the hospital are reduced to a fraction of the actual cost of care in the hospital acute care setting. This results in an unfair financial burden on the hospitals, which must continue to provide care at a much higher cost to patients who remain waitlisted in acute care hospital beds due to the unavailability of long term care beds.

Kaiser Foundation Hospital's finances are negatively impacted by this waitlist situation, just as are all the other acute care hospitals in the State. Accordingly, Kaiser Permanente Hawaii strongly supports this bill to provide compensation that would fairly cover the costs of care for Medicaid patients waitlisted in acute care hospital settings while transfer to long term care is sought, by providing Medicaid reimbursements at the acute medical services payment rate. Thank you for the opportunity to comment.

LINDA LINGLE  
GOVERNOR



LILLIAN B. KOLLER, ESQ.  
DIRECTOR

HENRY OLIVA  
DEPUTY DIRECTOR

**LATE**

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

March 3, 2009

MEMORANDUM

TO: Honorable Donna Mercado Kim, Chair  
Senate Committee on Ways and Means

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 417 – RELATING TO HEALTH**

Hearing: Tuesday, March 3, 2009, 9:30 am.  
Conference Room 211, State Capitol

PURPOSE: The purposes of this bill are to 1) change the way that hospitals are reimbursed for Medicaid waitlist long-term care patients to the acute payment rate, and 2) reimburse facilities with long -term care beds for patients with medically complex conditions who had received acute care services in an acute care hospital in a prior stay, at the subacute care rate.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully opposes this bill as it would dramatically increase expenditures. Given the State's current fiscal difficulties, it would not be prudent to pursue enactment at this time.

In State fiscal year 2008, waitlisted claims were paid for about 17,250 waitlist days of care. The total cost paid for those days was approximately \$1,465,700. The provisions of this bill will drastically increase the cost of patient care and will require an additional \$9,500,000 in State and Federal funds for the same wait-listed days.

This bill also fundamentally changes the way that Medicaid rates are set. Currently, State law requires that there be no distinction between hospital-based and non-hospital based Medicaid reimbursement rates for institutionalized long-term care. These reimbursements are equitable based on the level of care provided pursuant to section 346D-1.5, HRS.

DHS believes the problem of long-term care patients occupying acute care beds will not be solved by this measure. The Department has already moved to address the waitlist problem through its QUEST Expanded Access (QExA) managed care program that started on February 1, 2009. The health care needs of waitlisted patients in acute care beds will be addressed through intensive care coordination and discharge planning provided in our new managed care program.

Finally, the Department points out that the recent change of our aged, blind and disabled (ABD) population into the QExA managed care health plans changes our payment structure from fee- for- service (FFS) into capitated payments to the health plans. The health plans are responsible to negotiate rates and sign contracts with the providers in their respective networks. If the intention of this bill is to cover the ABD population, this bill must be amended to apply to Medicaid managed care health plans covered under the 1115 waiver. The proposed bill applies only to the Medicaid FFS program.

In addition, the private hospitals receive nearly \$25 million in supplemental disproportionate share hospital (DSH) and "DSH-like" payments annually from DHS.

As this bill requires substantial additional State appropriations, the DHS respectfully opposes this measure as it will adversely impact or replace the priorities in the Executive Biennium Budget and, given the State's current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Thank you for the opportunity to testify.