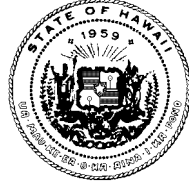


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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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April 2, 2021

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce & Consumer Protection

FROM: Cathy Betts, Director

SUBJECT: **HB 311 HD1 SD1 – RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM.**

Hearing: April 7, 2021, 9:35 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this bill, which is substantively similar to our administrative measure HB 977. We respectfully request the appropriation of **\$33,000,000** be inserted.

The House Committee on Health, Human Services, and Homelessness amended the bill by:

- (1) Allowing nursing facilities to pay their assessed fees within sixty days after the end of each month, rather than thirty days;
- (2) Changing the appropriation to an unspecified amount;
- (3) Changing the effective date to July 1, 2060, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

The House Committee on Finance passed the measure unamended.

DHS appreciates the amendments of the Senate Committees on Human Services and Health that amended the measure by:

- (1) Inserting an effective date of June 29, 2021; provided that sections 8 and 9 of this measure shall take effect on July 1, 2021; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

PURPOSE: The purpose of the bill extends the nursing facility sustainability program to 2024. Allows the nursing facility sustainability fee to be used to enhance capitated rates for the purpose of paying quality incentives. Allows nursing facilities sixty days to pay the nursing facility sustainability fee. Specifies that the nursing facility sustainability fee limit is 5.5 per cent of overall net patient service revenue. Removes the per resident daily maximum fee of \$20 for each facility. Specifies facilities that meet certain exceptions shall pay a reduced daily fee in comparison to other participating facilities. Appropriates funds. Effective 6/29/21. (SD1)

The Nursing Hospital Sustainability Program and the Nursing Facility Sustainability Program Special Fund (Special Fund) were established by Act 156, Session Laws of Hawaii (SLH) 2012, and last amended by Act 163, SLH 2019.

The Special Fund receives moneys from the nursing facility sustainability fee, which is used as the state fund match for federal Medicaid matching funds. These are used to increase reimbursements to the nursing facilities through capitation payments with a greater benefit to those providing proportionately more services to Medicaid recipients.

For SFY 2021, DHS Med-QUEST Division estimates the facilities will be assessed approximately \$13,000,000 in sustainability fees and will receive approximately \$15,000,000 in additional net reimbursements. These additional moneys will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the safety net as well as to incentivize quality using a pay for performance. DHS greatly appreciates the strong collaboration with the Healthcare Association of Hawaii to continue to strengthen this successful program and we concur with their proposed amendment.

Thank you for the opportunity to provide testimony in strong support of this measure.



**Testimony to the Senate Joint Committee on Ways and Means and Commerce and
Consumer Protection
Wednesday, April 7, 2021; 9:35 a.m.
State Capitol, Conference Room 211
Via Videoconference**

RE: HOUSE BILL NO. 0311, HOUSE DRAFT 1, SENATE DRAFT 1, RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM.

Chair Dela Cruz, Chair Baker, and Members of the Joint Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 0311, House Draft 1, Senate Draft 1, RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM.

The bill, as received by your Committee, would preserve access to health care for Medicaid recipients by extending the Nursing Facility Sustainability Program (Program). Specifically, this bill would:

- (1) Extend the date on which all moneys remaining in the Nursing Facility Sustainability Special Fund (Special Fund) are to be returned to the nursing facilities from which the funds were received from December 30, 2021, to June 30, 2024;
- (2) Eliminate the \$20.00 cap on the per resident daily fee;
- (3) Extend the period the fee would be due from thirty to sixty days after the end of each month; and
- (4) Appropriate an unspecified amount from the Special Fund for fiscal year 2021-2022 for uses consistent with the Program.

The bill would also take effect on June 29, 2021, provided that sections affecting appropriations would take effect on July 1, 2021.

Testimony on House Bill No. 0311, House Draft 1, Senate Draft 1
Wednesday, April 7, 2021; 9:35 a.m.
Page 2

By way of background, the HPCA represents Hawaii Federally-Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

Recognizing that Medicaid payments to nursing facilities were far below the actual costs of care, the Legislature enacted Act 156, SLH 2012, to establish the Program and increase Medicaid payments to nursing facilities. The Program achieves this 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.

We urge your favorable consideration of this bill.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.



April 7, 2021 at 9:35 am
Via Videoconference

Senate Committee Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Gilbert S.C. Keith-Agaran

Senate Committee on Commerce and Consumer Protection

To: Chair Rosalyn H. Baker
Vice Chair Stanley Change

From: Hilton R. Raethel
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Support
HB 311 HD 1 SD 1, Relating to the Nursing Facility Sustainability Program

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare 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.

Thank you for the opportunity to provide testimony in strong **support** of this bill. The nursing facility sustainability program is key in protecting access for seniors needing long-term care by helping participating nursing facilities offset some of the losses they incur taking care of under- and uninsured patients in Hawaii. In its simplest telling, the program works by levying a fee on participating providers. The funds generated through that fee are used to draw down additional federal dollars and are distributed back to the providers, which results in a net gain for most participants. Most importantly, **no state general funds are used for this program.**

This program has been in effect since 2012 when, recognizing that Medicaid payments were below the actual costs of care in nursing facilities, the legislature established this program. While the program was reauthorized annually for several years, the legislature passed a two-year authorization of the program in 2017. This was evidence of how successful the program has been, especially in bringing together private and public entities to help increase access to care for Medicaid recipients. This is especially important for seniors, who rely on nursing

facility care as their health declines. The nursing facility sustainability program has successfully supported providers and seniors for nearly ten years—and it is important to note that this program is different and separate from other proposals that would levy a fee on insurance providers.

Thank you for the opportunity to provide supportive testimony for this successful program, which will help protect access for seniors needing long-term care during this continued health and economic crisis. We will continue our partnership with the MedQUEST office on this measure and appreciate your consideration of this important measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Members, Senate Committee on Ways and Means

The Honorable Rosalyn H. Baker, Chair
The Honorable Stanley Chang, Vice Chair
Members, Senate Committee on Commerce & Consumer Protection

From: Rowena Buffett Timms, Executive Vice President & Chief Administrative Officer, The Queen's Health Systems

Colette Masunaga, Director, Government Relations & External Affairs, The Queen's Health Systems

Date: April 7, 2021

Re: Support for HB311, HD1, SD1: Relating to the Nursing Sustainability Program

The Queen's Health Systems (Queen's) is a nonprofit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, and more than 1,500 affiliated physicians and providers statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to testify in support for HB311, HD1, SD1, relating to the Nursing Facility Sustainability Program; which continues the Nursing Facility Sustainability Program for two years. This measure appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal years 2021-2022 and 2022-2023. The Nursing Facility Sustainability Program assists nursing facilities in Hawai'i by mitigating losses that are incurred when taking care of underserved populations. These facilities play a critical role in the continuum of care for our community. We also concur with Healthcare Association of Hawai'i's testimony in support of this measure.

For hospitals like The Queen's Medical Center-Punchbowl (QMC-PB), which experiences a waitlist of over 35 patients a day waiting to be transferred to sub- or post-acute care settings, nursing facilities are integral to the continuing care of patients. Patients on our waitlists are no longer in need of acute care, but due to the limited community based resources and low Medicaid reimbursement, our hospitals are unable to place patients ready for discharge. Other patients needing an acute level of care may not be able to access a hospital bed if census is full and waitlisted patients occupy acute care beds. We ask for your support of this measure and the continuation of the Nursing Facility Sustainability Program. Thank you for your attention to this important measure.

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.