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LATE Testimony

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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March 19, 2009

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 417, S.D. 1 – RELATING TO HEALTH**

Hearing: Thursday, March 19, 2009, 9:30 AM.
Conference Room 329, 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) strongly opposes this bill as it would result in significant overpayment and risk of abuse at a time when fiscal prudency is critical. In addition, State law currently requires that there be no distinction between hospital-based and non-hospital based Medicaid reimbursement rates for institutionalized long-term care. These reimbursements are equitably based on the level of care provided pursuant to section 346D-1.5, HRS.

This bill also appropriates an undisclosed amount in the general fund revenues for fiscal year 2010 for increased Medicaid reimbursements. 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 (of which 44.89% is State funds). The provisions of this bill will drastically increase the cost of patient care which could cost an additional $9,500,000 of which 44.89% would have to be State funds) for the same 17,250 waitlist days.

Paying inpatient acute care rates to a patient not requiring, by definition, acute level care, because he or she is awaiting discharge, would be paying for services not needed nor provided. Using the definition of "medically complex condition" for paying the subacute rate means that any patient with a chronic illness taking medications would qualify for the subacute rate. This is essentially everyone in a nursing facility. This bill essentially seeks a rebasing of Medicaid rates to increase reimbursement at a time when we are desperately trying to preserve the safety-net and maintain what we have.

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, and nursing facility bed availability will increase through the expansion of home and community based services.

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.

As this bill requires substantial additional State appropriations, the DHS strongly opposes this measure as there is not enough State money to increase reimbursements.

Thank you for the opportunity to testify.

LATE Testimony

To: House Committee on Human Services
Rep. John M. Mizuno, Chair
Rep. Tom Brower, Vice-Chair

House Committee on Health
Rep. Ryan I. Yamane, Chair
Rep. Scott Y. Nishimoto, Vice Chair

Date: March 19, 2009 - Conference Room 329 – 9:30 am

Re: SB 417, SD1 RELATING TO HEALTH

Chairs Mizuno and Yamane 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 also serve as 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 care plan accordingly; and 5) 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 where we will need to address the critical need for health and long term care services 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%) residents believe that Hawaii's health care and long term care are in a state of crisis or have major problems. AARP will support the HLTC in its commitment to addressing problems and forging 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 testify.