

SB 417



**Testimony to the Senate Committees on Human Services and Health
Tuesday, February 10, 2009 at 1:15 p.m.
Conference Room 016, State Capitol**

RE: SENATE BILL NO. 417 RELATING TO HEALTH

Chairs Chun Oakland and Ige, Vice Chairs Ihara and Green, and Members of the Committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports Senate Bill 417 relating to Health.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 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 its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure establishes reimbursement guidelines for Medicaid to hospitals and facilities with long-term care beds.

Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state's economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii's businesses. Also, Hawaii's healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements that will improve the quality of our health care system, which include legislation that will establish reimbursement guidelines for Medicaid to hospitals and facilities with long-term care beds. This will help increase long term care capacity and access statewide.

In light of the above, The Chamber of Commerce of Hawaii supports SB 417. Thank you for the opportunity to testify.

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiiapacifichhealth.org

Tuesday, February 10, 2009 – 1:15pm
Conference Room 016

The Senate Committee on Health

To: Senator David Ige, Chair
Senator Joshua Green, MD-Vice Chair

The Senate Committee on Human Services & Public Housing

To: Senator Suzanne Chun Oakland - Chair
Senator Les Ihara Jr. - Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: Testimony in Strong Support SB 417 - Relating to Health

Dear Honorable Committee Chairs and Members:

My name is Virginia Pressler, Executive Vice President for Hawaii Pacific Health (HPH). For more than a century, families in Hawaii and the Pacific Region have relied on the hospitals, clinics, physicians and staff of Hawaii Pacific Health as trusted healthcare providers. Our non-profit integrated healthcare system is the state's largest healthcare provider and is committed to improving the health and well-being of the people of Hawaii and the Pacific Region through its four hospitals -- Kapi'olani Medical Center for Women & Children, Kapiolani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital -- 18 outpatient centers and a team of 1,100 physicians on the islands of Oahu, Kauai and Lanai.

Hawaii Pacific Health is writing in **strong support of SB 417** which takes steps to solve the hospital waitlist problem by increasing certain Medicaid payments to hospitals and long term care facilities. On any given day there are as many as 275 patients in hospitals across Hawaii who have been treated and are now waiting to be transferred to a long term care facility but who must remain "waitlisted" in a hospital because long term care is not available. Discharge timeframes for waitlisted patients range from days to over a year. This represents a poor quality of life option for the patient, presents an often insurmountable dilemma for providers and patients, and creates a serious financial drain on acute care hospitals with ripple effects felt throughout other healthcare service sectors.

SB 417 would adjust Medicaid payments to improve the flow of patients from acute hospitals to long term care facilities. Payments to long term care facilities would be increased for patients with medically complex conditions that require increased care, as current payments do not cover the actual costs of care. In addition, payments to hospitals for waitlisted patients, although still not covering costs, would be increased so that payments are closer to 60% rather than 20% of the actual costs of care incurred by hospitals.

We ask that you pass **SB 417**. Thank you for your time regarding this measure.

KAPI'OLANI
MEDICAL CENTER
AT PALI MOMI



KAPI'OLANI
MEDICAL CENTER
FOR WOMEN & CHILDREN



Straub
CLINIC & HOSPITAL



Wilcox Health

TESTIMONY TO THE TWENTY-FIFTH STATE LEGISLATURE, 2009 SESSION

To: Senate Committee on Human Services
Senate Committee on Health:

From: Hawaii Disability Rights Center
Re: SB 417, Relating To Health

Hearing: Tuesday, February 10, 2009 1:15 PM
Conference Room 016, State Capitol

Members of the Committee on Human Services:
Members of the Committee on Health:

Thank you for the opportunity to provide testimony supporting Senate Bill 417.

We are the agency mandated by federal law and designated by Executive Order to protect and advocate for the human, civil and legal rights of Hawaii's estimated 180,000 people with disabilities.

We support this bill because it offers potential to assist individuals awaiting placement in community settings. The legislature has seen many examples in the past year or two of the long waitlist for community housing experienced by patients in acute facilities. In addition, briefings were provided by the Healthcare Association on the problems of placing "challenging" patients into community settings. Regarding the payment to hospitals of long term care based reimbursement rates, we are certainly sympathetic to the economic plight faced by the hospitals who are not receiving adequate reimbursement for these patients who really do not need to even be in the hospital after a point. They are often torn between the financial realities they face and the general ethic they do possess which directs them to want to treat and care for these individuals. Any assistance the legislature can render will not only help these facilities; it will also make it more likely that these patients will continue to receive adequate care while they are developing an appropriate community placement discharge plan. It will alleviate the pressure hospitals may feel to attempt a premature, potentially inappropriate discharge.

Thank you for the opportunity to testify in support of this bill.



February 10, 2009

To: Chairs Suzanne Chun Oakland and David Ige, Members of the
Senate Committees on Human Services and Health
From: Bob Ogawa, President
Hawaii Long Term Care Association
Re: S.B. 417 - Relating to Medicaid Hospital and Long Term Care
Reimbursements

The Hawaii Long Term Care Association (HLTCA) supports S.B. 417 as an essential step toward addressing Hawaii's current hospital waitlist problem.

The HLTCA fully understands, sympathizes with and wishes to find a remedy for the financial "bleeding" waitlisted patients cause our hospitals. Enhanced reimbursement would certainly serve to mitigate that situation.

At the same time, in order to work toward a broader solution, we must find ways to encourage *targeted* expansion and development in the long term care provider community specifically aimed at ministering to the medically-complex needs of waitlisted patients. Appropriate reimbursement for the much-more-costly care of these individuals is an important beginning.

We must recognize, however, that dealing with the waitlist problem from the "big-picture" perspective requires a multi-faceted strategy, which also includes such elements as greater waitlist patient information transfer efficiency and transparency, capital cost assistance and critical initiatives in workforce development. Every aspect is vital and interdependent upon every other.

This measure represents a significant cornerstone in our starting to lay the foundation we require, and we urge its passage. Thank you.

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
Senate Committee on Human Services
The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair
and
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Josh Green, M.D., Vice Chair

February 10, 2009
1:15 pm
Conference Room 016

SB 417 RELATING TO HEALTH (Medicaid Reimbursements)

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide 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.



To: Senate Committee On Human Services
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair

Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice-Chair

Date: February 10, 2009 - Conference Room 016 – 1:15 pm

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

Chairs Chun Oakland and Ige 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+.

The purpose of this bill 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.

AARP strongly supports SB 417. We believe this measure 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.

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.

FYI, 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 care plan accordingly; and 5) Collaborate with interested stakeholders, including community coalitions or organizations concerned with educating the public regarding long term care.”

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 LTC Commission 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.

Thank you for the opportunity to testify.



SENATE COMMITTEE ON HUMAN SERVICES
Senator Suzanne Chun Oakland, Chair

SENATE COMMITTEE ON HEALTH
Senator David Y. Ige, Chair

Conference Room 016
February 10, 2009 at 1:15 pm

Testimony in support of SB 417

I am Coral Andrews, Vice President of the Healthcare Association of Hawaii which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers.

Thank you for this opportunity to testify in strong support of support of SB 417, which takes steps to solve the hospital waitlist problem by setting more appropriate Medicaid reimbursement rates to hospitals for patients who are waitlisted for long term care and also to long term care facilities so they accept patients with complex medical conditions who are waitlisted in hospitals.

On any given day there is an average of 200 patients in hospitals who have been treated so they are well enough to be transferred to long term care, but who are waitlisted because long term care is not available. Waitlisting is undesirable because it represents an inappropriate quality of care for the patient and creates a serious financial drain on hospitals. Patients may be waitlisted from several days to over a year.

The waitlist dilemma is unique to Hawaii, largely because Hawaii has one of the lowest ratios of long term care beds for its population in the United States. Whereas the US average is 47 beds per 1000 people over age 65, Hawaii averages 23 (half of the US average). The shortage of long term care beds is the result of high costs of construction and operation that are mismatched with low payments for services.

Recognizing the waitlist problem, the Legislature in 2007 adopted SCR 198, which requested the Healthcare Association of Hawaii (HAH) to study the problem and propose solutions. HAH subsequently created a task force for that purpose. The task force requested HAH to contract with a consultant to gather needed information. The information was not fully available in time for the 2008 session, so an interim report was submitted last year. In addition, the Legislature adopted HCR 53 in 2008 requesting the Healthcare Association to continue to study the waitlist problem.

The task force has prepared another report to the 2009 Legislature. Certain recommendations of that report are contained in this bill, which represents a critical step toward solving the waitlist problem. The adoption of these recommendations will result in more equitable Medicaid reimbursement to hospitals for the care of waitlisted patients and will:

- 1) promote the movement or "flow" of waitlisted patients out of acute care,
- 2) reduce unpaid costs incurred by hospitals and free up hospital resources so that they can be used to treat those who need that high level of care, and
- 3) expand the sub-acute care rate, which will enable long term care facilities to accept waitlisted Medicaid patients with complex medical conditions while addressing the additional costs related to their care.

For the foregoing reasons the Healthcare Association strongly supports SB 417



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

February 10, 2009

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

Honorable David Y. Ige, Chair
Senate Committee on Health

FROM: Lillian B. Koller, Director

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

Hearing: Tuesday, February 10, 2009, 1:15 PM.
Conference Room 016, 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 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 equitably based on the level of care provided pursuant to section 346D-1.5, HRS.

This bill also appropriates general fund revenues of \$6,200,000 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. The provisions of this bill will drastically increase the cost of patient care which could cost an additional \$9,500,000 for the same 17,250 waitlist days. The State funded portion of this increased cost at the proposed Federal fiscal year 2010 Federal Medical Assistance Payment (FMAP) of 54.24% will be approximately \$4.4 million more in general funds.

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.

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.

Thank you for the opportunity to testify.