HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

March 19, 2012

TO: **Representative John Mizuno, Chair HOUSE COMMITTEE ON HUMAN SERVICES**
Representative Ryan Yamane, Chair HOUSE COMMITTEE ON HEALTH

Tuesday, March 20, 2012, 10 a.m.
Conference Room 329

FROM: **Tony Krieg, Chief Executive Officer**

RE: **SUPPORT FOR SB 2466 SD2 RELATING TO LONG-TERM CARE FACILITIES**

Aloha Chairs Mizuno and Yamane and members of the Health and Human Service Committees,

My name is Tony Krieg, C.E.O. of Hale Makua Health Services. I am writing in strong support of SB 2466 SD2 which will provide additional revenues at minimal cost to the State of Hawaii to help make up a significant shortfall for our nursing facilities. For over 65 years Hale Makua Health Services has provided nursing homes, care home, and home and community based services for people needing long term care on Maui. In addition to home health, case management and adult day health services, we operate two nursing homes with a total of 378 beds. Seventy-nine percent (79%) of the patient days in these homes are occupied by Medicaid recipients. The only other nursing home beds on Maui are part of Kula Hospital (a critical access hospital with 100 nursing home beds).

Medicaid does not cover the cost of providing care to our residents, and there have been reimbursement cuts in Medicaid and Medicare reimbursement which will result in a serious budget shortfall totaling $1.7 million for both facilities in 2012.

These cuts come at a time when federal and state regulations are calling for increases in quality, and renovations to provide homelike environments. The residents in Hawaii's nursing homes have some of the highest acuity care needs in the nation. I have illustrated this in the last table below this testimony.

Over 70% of the cost of providing care is for labor costs. As you well know, the cost of energy, food, supplies and other commodities are also on the rise. Due to these budget shortfalls, last year the Hale Makua Health Services Board of Directors was forced to seriously considered closing Hale Makua Wailuku because we could not get the largest labor union to agree to wage concessions. This would have meant that between 50 and 60 nursing home residents would have had to be placed in other facilities on Oahu or in other homes across the State.

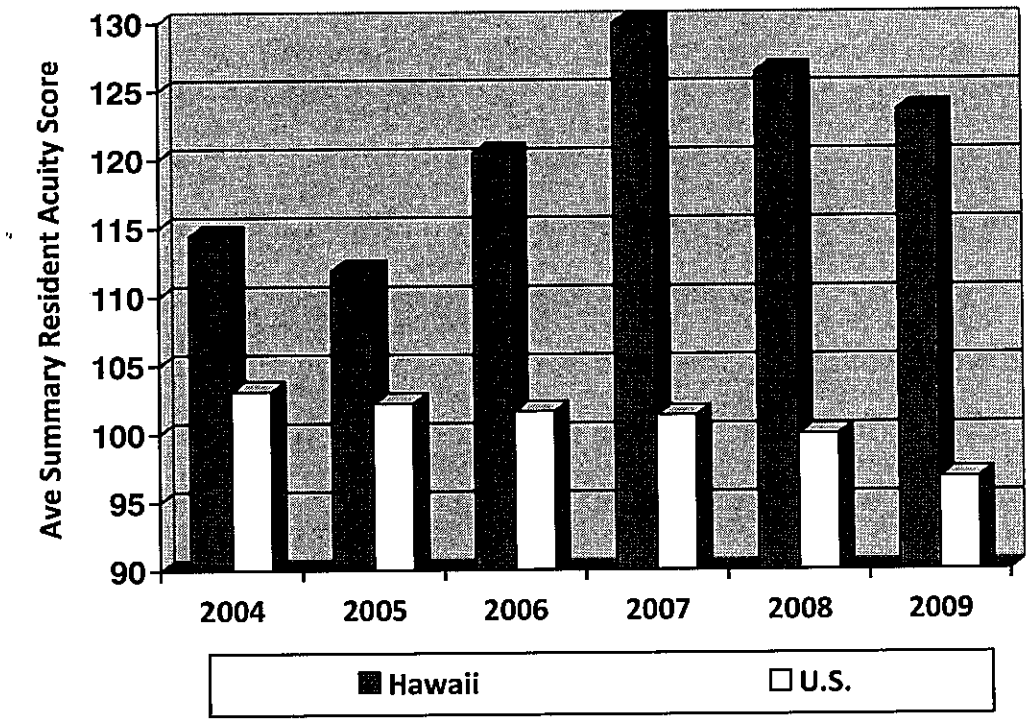
This bill provides a mechanism to draw down additional federal funds to ease this severe budget deficit. Barring an influx of state general funds, this is the one of the few means for nursing facilities to maintain services to our elderly and frail nursing home residents. **I strongly urge you to pass this bill with the original formula as proposed by the Healthcare Association of Hawaii.**

The following table illustrates the patient days and shortfalls due to the current Medicaid reimbursement system for our organization.

HALE MAKUA KAHULUI & WAILUKU
2011 RESULTS

	SHORTFALL = COST > REIMBURSEMENT	TOTAL # OF PATIENT DAYS	% MEDICAID
MEDICAID	-$1,688,821.00	93,821	79%
ALL PAYERS		118,499	

Average Summary Score for Nursing Facility Resident Acuity Using the Management Minute Index



From: Nursing Facilities, Staffing, Residents and Facility Deficiencies, 2004-2009
Charlene Harrington, Ph.D.Helen Carrillo, M.S.Brandee Woleslagle Blank, M.A –
.Department of Social & Behavioral Sciences *University of California San Francisco 2010*

The table above shows the average summary score for resident acuity using the management minute approach. This index is based on a compilation of resident characteristics including being bedfast, needing assistance with ambulation, needing full eating assistance, needing some eating assistance, having an indwelling catheter, being incontinent, having a pressure ulcer receiving bowel or bladder retraining, and receiving special skin care. Each of these characteristics was weighted by the average amount of management minutes or the time needed to provide nursing care.

The average index was 103.10 in 2004 which declined to 96.74 in 2009 for all facilities surveyed in the U.S. **This index allows for comparisons of acuity differences in facilities across states, which ranged from 73.07 in Iowa to 123.49 in Hawaii in 2009**

March 20, 2012

To: Chair Ryan Yamane and John Mizuno and Members
House Committees on Health and Human Services
From: Bob Ogawa, President
Re: SB 2466, SD2, Establishing the Nursing Facility Sustainability Program Special Fund

The Hawaii Long Term Care Association (HLTCA) strongly supports SB 2466, SD2. I will not go into extensive detail on the problems this measure seeks to address. 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. We must act now, or we will find ourselves with a decimated senior care infrastructure at precisely the time when the need for a robust one is the greatest in our history.

Very simply, as is employed in some form or fashion in nearly every other state in the country, this measure proposes a provider fee that will be used to draw down additional federal funds to cope with budget shortfalls, rising healthcare costs and ever-expanding medicaid rolls. This will enable increased payments to nursing facilities, thus reducing the losses they are presently 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 affiliated nursing facility beds in the State of Hawaii. As such, we present to you a united front in pursuit of the passage of this legislation.

In all candor, this is a work in progress. This is not a simple program to configure or implement. There are a myriad moving parts and variables. However, while the devil may be in the details, we cannot let the details bedevil us into inaction. That is not an option. 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.*

Moving this measure forward will indeed reflect our dignity as a society. We cannot let the system fail, because we cannot fail our kupuna. Thank you.

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HAWAII HEALTH SYSTEMS
CORPORATION
"Touching Lives Everyday"

House Committee on Health
Representative Ryan I. Yamane, Chair
Representative Dee Morikawa, Vice Chair

House Committee on Human Services
Representative John M. Mizuno, Chair
Representative Jo Jordan, Vice Chair

March 20, 2012
Conference Room 329
10:00 a.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 2466, SD2 Relating to Long-Term Care Facilities Establishes the Nursing Facility Sustainability Program Special fund into which nursing facility sustainability fees shall be deposited. Requires the department of human services to charge and collect a provider fee on health care items or services provided by nursing facilities.

Bruce S. Anderson, Ph.D.
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 support of the concept of SB 2466, SD2 that establishes the Nursing Facility Sustainability Program Special fund into which nursing facility sustainability fees shall be deposited.

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 would be a good financing mechanism that could leverage federal funds to increase the reimbursements to nursing facilities from the QUEST and QUEST Expanded Access (QEXA) programs.

However, we have several concerns that will need to be addressed before we can provide our full support of this bill. First, the bill requires that the nursing facilities would pay the sustainability fee 45 days after the end of each calendar quarter. That means

that there would be a gap of approximately three months at a minimum before a nursing facility would be able to recoup the amount of the sustainability fee paid from the enhanced reimbursements from the QUEST and QEXA plans. This would create a severe cash flow issue for HHSC's nursing facilities, since they do not have adequate cash reserves to make the initial payment and then wait for the reimbursements to come in over the next three months.

Second, the bill does not contain any language that requires deadlines for the Department of Human Services (DHS) to facilitate the drawdown of federal funds or to pay the enhanced capitation rates to the QUEST and QEXA plans. Also, the bill does not contain any language that requires deadlines for the QUEST and QEXA plans to make the enhanced reimbursements to the providers. Further, while the bill contains penalties for nursing facilities for lack of timely payment, there are no such penalties for DHS or the QUEST and QEXA plans to make sure that the nursing facilities receive the enhanced reimbursements due them.

Third, the bill does not specify what data source will be used to assess the nursing facility sustainability fee. While the bill specifies that the fee will be assessed on the nursing facility's "net patient service revenue," the data source is critical for nursing facility providers to know in order for them to determine whether the amount of the fee assessed to them is correct or not.

Fourth, the bill assumes that all nursing facilities are participating providers with the QUEST and QEXA plans. It is unclear how nursing facilities that are not participating providers would receive enhanced reimbursements under this bill.

These concerns have been communicated to the Healthcare Association of Hawaii, whom we understand will be providing technical amendments to this bill to address these concerns as the bill moves through the Legislative session.

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

Healthcare Association of Hawaii

HOUSE COMMITTEE ON HEALTH
Rep. Ryan Yamane, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. John Mizuno, Chair

Conference Room 329
March 20, 2012 at 10:00 a.m.

Supporting SB 2466 SD 2: Relating to Long-Term Care Facilities

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of SB 2466 SD 2, which creates the Nursing Facility Sustainability Program that strengthens the financing of nursing facilities in Hawaii by drawing down federal funds and distributing these funds to nursing facilities.

Medicaid is a critical component of Hawaii's health care system because it pays for medical care for more than one in five Hawaii residents. However, Hawaii's Medicaid program has serious shortcomings that create a burden for nursing facilities and the entire health care delivery system.

The simple fact is that Medicaid pays nursing facilities less than the actual costs they incur in providing care to Medicaid patients. In other words, a nursing facility that provides the same care to a Medicaid patient and a patient with private funds is paid much less by Medicaid than with private funds.

Hawaii's Medicaid program pays nursing facilities, on average, $7 to $8 less than the actual costs of care per patient per day. Exacerbating the situation, Medicaid patients represent 70% of all nursing facility patients. Despite the substantial losses incurred by nursing facilities, they have humanitarian missions that obligate them to provide care to those Medicaid patients.

The federal government has a program that allows nursing facilities to assess themselves a fee and use these funds as a "match" to draw down federal dollars. A total of 46 states have some kind of provider fee program. If Hawaii implements a program as developed by the Healthcare Association of Hawaii (HAH), we believe we can substantially reduce the losses due to Medicaid.

Due to the severity of the losses, nursing facilities decided to explore the possibility of developing and implementing a provider fee program. However, they were hesitant because they will have to pay an assessment from unbudgeted revenues and trust that they will be reimbursed.

But because the situation today is so dire, nursing facilities decided to pursue a provider fee program. Even though the program requires no State funding and no taxpayer money, nursing facilities have agreed to concede part of the revenue from the provider fee to the State. This would mean unanticipated funding for the State that could be doubled with a federal match if used for Medicaid services.

The State recently submitted a counter-proposal, which we are reviewing. We may consider amending the bill. We urge the joint committee to pass the bill to keep it alive in the legislative process. If the bill should be amended, we will submit a proposal when the bill proceeds to the Ways and Means Committee.

For your information, this bill creates a provider fee program for hospitals, and another bill being considered by the Legislature creates a separate provider fee program for nursing facilities.

Thank you for the opportunity to testify in support of SB 2466 SD 2.

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March 19, 2012

TO WHOM IT MAY CONCERN

My name is Ratna Nuti, CPA and I served as the Associations auditor for the past 5 years. I have been asked to comment on the billings to owners for nursing services. Assisted living expenses such as companion care, medication administration, case management, nursing including treatments and services are being billed directly to the person receiving the service and are not being billed to the all the owners in common. The Association maintains copies of the bills to the people receiving the service and there is also sufficient evidence to prove that payments were received from these people.

If there is any other information I can provide please contact me at the above listed number.

Yours sincerely,

Ratna Nuti

Ratna Nuti, CPA