



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 20, 2016

TO: The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2213 SD 1 - RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM**

Hearing: Tuesday February 23, 2016; 9:50 a.m.
Conference Room 211, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify on this bill and supports this measure. The Department's proposals on the same subject are: SB 2871 and HB 2342.

PURPOSE: The purpose of this bill continues the Nursing Facility Sustainability program for one additional year. Appropriates funds out of the nursing facility sustainability program special fund for fiscal year 2016-2017.

This measure will continue to help sustain nursing facilities statewide so that there will be continued access to needed resources by the residents of Hawaii. The Nursing Facility Sustainability Program fee is levied on non-governmental nursing facilities. Revenue from the program fee is used to leverage federal funds. The federal funds are then utilized to increase reimbursements to nursing facilities with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys will assist in increasing the sustainability of nursing facilities in Hawaii as they are a critical component of the long-term care safety net.

The Department utilized the entire 12% (\$1.4 million) of the sustainability fees authorized for use by the DHS, to fund the restoration of the 3% reduction in reimbursement rates for the nursing facilities.

The Department is very concerned with the amendment of the measure by the joint Committees of Human Services and Commerce, Consumer Protection, and Health:

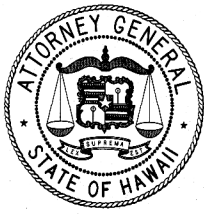
(1) Deleting an amendment to Act 156, Session Laws of Hawaii 2012, section 5, as amended, that would have changed the repeal date of certain amendments to section 36-30(a), Hawaii Revised Statutes, to December 31, 2017. STAND. COM. REP. NO. 2205

The date should be returned to the December 31, 2017 amendment proposed in the original measure. Currently, in accordance with section 36-30(a) the Nursing Sustainability Fund is exempted from being assessed the department administrative expenses fee; the exemption from the assessment is scheduled to be repealed on December 31, 2016 unless the exemption is extended to December 31, 2017, as the original version of the measure proposed. By not changing the date to 2017, in SFY 2017 the Nursing Sustainability Fund will be assessed the Department Administrative expenses fee that applies to all special funds that have not been exempted from the assessment under section 36-30(a).

The Nursing Sustainability Fund is and has been exempted from being assessed the Central Services expenses fee (section 36-27), and the Department Administrative expenses fee section 36-30 since the program's inception in 2012. Without these two exemptions from the Central Services expenses fee (section 36-27) and the Department Administrative expenses fee (section 36-30), the Nursing Facility Special Fund will have to pay approximately \$600,000 in Central Services expenses assessed under section 36-27 and \$120,000 for Department Administrative expenses for state fiscal year (FY) 2017. This is \$720,000 that the DHS will not be able to use for direct services that would help sustain nursing facilities and improve services to Medicaid recipients.

The Department requests that the measure be amended back to the original proposed version that would exempt the Nursing Facility Special Fund from being assessed the Department Administrative expenses fee until December 31, 2017.

Thank you for the opportunity to testify on this measure.



TESTIMONY OF THE DEPARTMENT OF THE ATTORNEY GENERAL TWENTY-EIGHTH LEGISLATURE, 2016

ON THE FOLLOWING MEASURE:

S.B. NO. 2213, S.D. 1, RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM.

BEFORE THE:

SENATE COMMITTEE ON WAYS AND MEANS

DATE: Tuesday, February 23, 2016

TIME: 9:50 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY** (For more information, contact Lee-Ann N. M. Brewer, Deputy Attorney General, at 586-1234)

Chair Tokuda and Members of the Committee:

The Department of the Attorney General provides comments on Senate Bill No. 2213, Senate Draft 1, which continues the nursing facility sustainability program for one year, and appropriates funds out of the nursing facility sustainability program special fund (the special fund) for fiscal year 2016-2017.

Senate Draft 1 of S.B. No. 2213 changed one of the amendments made in section 2 of the bill, specifically at page 5, line 6. The original bill replaced the year 2016 with 2017. That replacement was deleted in Senate Draft 1, which results in expiration of both the special fund established by section -4, Hawaii Revised Statutes (HRS), and the exemption of the special fund from the administrative expenses assessment imposed by section 36-30, HRS, on December 31, 2016, which is six months before the extended sunset date for the nursing facility sustainability program under this bill.

We recommend that the date at page 5, line 6, be December 31, 2017. This allows the special fund to remain in place for six months beyond the termination of the program for purposes of winding down the special fund and completing necessary disbursements. It also maintains the exemption from the administrative expenses assessment during that same six-month period.

Similarly, Senate Draft 1 of the bill is missing an amendment that is necessary to ensure the special fund remains exempt from the central service expenses assessments under section 36-27, HRS, through December 31, 2017. Section 3 of Senate Bill No. 2871, HMS-05(16), makes


the appropriate amendment. We recommend that the wording in section 3 of Senate Bill No. 2871 be included in the next draft of Senate Bill No. 2213.

Thank you for the opportunity to testify on this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Jill N. Tokuda, Chair, Committee on Ways and Means
The Honorable Donovan M. Dela Cruz, Vice Chair, Committee on Ways and Means
Members, Committee on Ways and Means

From:  Paula Yoshioka, Senior Vice President, The Queen's Health Systems

Date: February 19, 2016

Hrg: Senate Committee on Ways and Means Hearing; Tuesday, February 23, 2016 at 9:50 a.m.
in Room 211

Re: **Support for SB 2213, SD1, Relating to the Nursing Facility Sustainability Program**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems (QHS). I would like to express my **strong support** for SB 2213, SD1, relating to the Nursing Facility Sustainability Program.

The Nursing Facility Sustainability Program assist nursing facilities in Hawaii by mitigating losses that are incurred when taking care of underserved populations. The program does this by issuing a fee to nursing facilities and drawing down federal funds to match those generated by the fee. Nursing facilities, in turn, receive an increased reimbursement rate from the state, based on the utilization of services by Medicaid enrollees.

Nursing facilities in Hawaii play a critical role in the continuum of care for our community and QHS is dedicated to providing quality health care services for all who come to our doors, regardless of their ability to pay. For our hospitals like the Queen's Medical Center, Punchbowl, which experiences a waitlist ranging from 40-70 patients, access to non-acute care facilities, such as nursing facilities, are integral in a patients' continued care. 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. This, in turn, creates unsustainable situation for very sick patients who need to be admitted to an inpatient bed that may not be available. For several years now, the Nursing Facility Sustainability Program has received support for the Legislature. Such support is necessary to ensure that the State of Hawai'i continues to build up every part of the continuum of care for our community so that the most underserved members of our community have continued access to the care they need.

I ask for your support of this measure and the continuation of the Nursing Facility Sustainability Program.

Thank you for your time and consideration of this matter.

February 23, 2016 at 9:50 AM
Conference Room 211

Senate Committee on Ways and Means

To: Senator Jill Tokuda, Chair
Senator Donovan Dela Cruz, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: SB 2213, SD1 - Testimony in Support

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

HPH **supports** SB 2213, SD1 which continues the nursing facility sustainability program for one additional year and appropriates funds out of the hospital sustainability fund for fiscal year 2016-2017.

Recognizing that Medicaid payments were below the actual costs of care, the legislature created the nursing facility sustainability program through the enactment of Act 156, SLH 2012 to improve Medicaid reimbursements to nursing facilities. The program achieves this by assessing a fee on private long term care facilities. The funds generated by those fees are then used to obtain additional federal money, which is deposited in the nursing sustainability program special fund and distributed back to the private long term care facilities. Payments back to these facilities are based on utilization of services by Medicaid enrollees.

The funds generated through this program are used to cover payment shortfalls incurred providing long-term care services to Medicaid recipients. This is critical since nursing facilities serve a patient population that is majority Medicaid, with up to 70-80 percent of all patients served at a number of facilities enrolled in the

program. These enrollees are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care.

However, it is important to note that this program does not fully cover the losses sustained by nursing facilities caring for Medicaid enrollees – instead, this program just helps to *mitigate* the losses nursing facilities incur taking care of underserved beneficiaries.

Thank you very much for the opportunity to testify on this measure.



February 23, 2016 at 9:50 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: George Greene
President and CEO
Healthcare Association of Hawaii

Re: **Testimony in Support**
SB 2213 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 180 member organizations who represent almost every aspect of the health care 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.

We would like to thank the committee for the opportunity to **support** SB 2213 SD 1. This legislation would extend the Nursing Facility Sustainability Program, which has helped Hawaii nursing facilities to offset some of the losses they incur taking care of the most underserved. HAH's proposed legislation would extend the program through June 30, 2017, and make other adjustments to the program as necessary.

Recognizing that Medicaid payments were below the actual costs of care, the legislature created the nursing facility sustainability program through the enactment of Act 156, SLH 2012 to improve Medicaid reimbursements to nursing facilities. The program achieves this by assessing a fee on private long term care facilities. The funds generated by those fees are then used to obtain additional federal money, which is deposited in the nursing sustainability program special fund and distributed back to the private long term care facilities. Payments back to these facilities are based on utilization of services by Medicaid enrollees.

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percent of all patients served at a number of facilities enrolled in the program. These enrollees are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care.

However, it is important to note that this program does not fully cover the losses sustained by nursing facilities caring for Medicaid enrollees – instead, this program just helps to *mitigate* the losses nursing facilities incur taking care of underserved beneficiaries.

We appreciate your consideration of this important matter, and urge your support of this measure.



Senate Committee on Ways and Means

The Hon. Jill N. Tokuda, Chair

The Hon. Donovan M. Dela Cruz, Vice Chair

Testimony on Senate Bill 2213
Relating to the Nursing Facility Sustainability Program
Submitted by Dustin Stevens, Public Affairs and Policy Director
February 23, 2016, 9:50 am, Room 211

The Hawaii Primary Care Association supports Senate Bill 2213, which continues the Nursing Facility Sustainability Program for an additional year.

The Legislature created this program 4 years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program increases Medicaid payments to nursing facilities. The program does that 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.

Thank you for the opportunity to testify.