

SB 2396

Measure Title:	RELATING TO LONG-TERM CARE FACILITIES.
Report Title:	Long-term Care Facilities; Cost Increase; Inflationary Adjustment
Description:	Provides an inflationary adjustment to the methodology used to reimburse facilities for the long-term care of medicaid recipients for fiscal year 2016-2017.
Companion:	
Package:	None
Current Referral:	HMS/CPH, WAM
Introducer(s):	BAKER, ENGLISH, GALUTERIA, KEITH-AGARAN, KIDANI, Espero, Gabbard, Ihara, Ruderman



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 4, 2016

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

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2396 - RELATING TO LONG -TERM CARE FACILITIES**

Hearing: Thursday, February 4, 2016; 1:15 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify on this bill and provides comments.

PURPOSE: The purpose of this bill provides an inflationary adjustment to the methodology used to reimburse facilities for the long term care of Medicaid recipients for fiscal year 2016-2017.

This measure proposes to require an inflationary adjustment statutorily for long term care facilities. While we appreciate the intent of this measure, the Department is concerned that fixing the rate increase may adversely impact priorities of the Executive Budget, even though the increase is for only one fiscal year.

While the annual inflationary adjustment for the Medicaid program is currently suspended, the nursing facilities participating in the Nursing Facility Sustainability Program this past year were assessed \$10,346,784 in fees and received \$21,614,340 in additional reimbursements.

The DHS respectfully requests that the increase be appropriated through the Executive Budget rather than mandating the rate increase through statute. Providing the additional appropriation through the Executive Budget will preserve the ability of the DHS to respond to the State's changing fiscal conditions and also allows for the submission and approval by the Centers for Medicare and Medicaid Services (CMS) of a State Plan Amendment to provide the adjustment for one year. Any rate adjustment for Medicaid can only be provided prospectively upon approval by CMS.

Thank you for the opportunity to testify on this measure.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

Senate Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Gil Riviere, Vice Chair

Senate Committee on Commerce, Consumer Protection, and Health
Senator Rosalyn H. Baker, Chair
Senator Michelle N. Kidani, Vice Chair

February 4, 2016
Conference Room 016
1:15 p.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 2396, Relating to Long-Term Care Facilities (Provides an inflationary adjustment to the methodology used to reimburse facilities for the long-term care of Medicaid recipients for fiscal year 2016-2017)

Derek Akiyoshi
Oahu Region CEO
Hawaii Health Systems Corporation

The Oahu Region of HHSC **supports** SB 2396. This proposed legislation would provide much needed relief to long-term care facilities (LTC) in Hawaii through a modest increase to the Medicaid reimbursement rates for fiscal year 2017 that would be accompanied by matching federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief by increasing Medicaid reimbursements slightly to reflect inflationary costs which have been absorbed by our operating budgets. Approximately 90 percent of our patient population is covered by Medicaid. Due to the high percentage of Medicaid patients, the level of care required for each patient, and the length of stay for each of the patients all contribute to the operational losses that we are currently experiencing. These losses are not sustainable and the increase in the reimbursement rate could be used to partially offset these losses.

Because the costs of serving patients have increased without an associated increase in reimbursements, we have had to cut back on services by downsizing our operations and implemented a reduction in work force. Both Leahi Hospital and Maluhia are experiencing significant financial difficulties and the providing us with this increase will help to ensure that we can still deliver high quality care to our most vulnerable residents. This legislation presents a common-sense approach to maximize the use available federal funding to support our growing senior population. We appreciate your consideration of this important legislation, and respectfully urge your support for this measure.

Thank you for the opportunity to testify.



ALOHA NURSING REHAB CENTRE

45-545 Kamehameha Hwy • Kaneohe, HI 96744
Phone 808-247-2220 • Fax 808-235-3676

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**February 4, 2016 at 1:15 PM
Room 016**

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

**To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere**

**Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani**

**From: Amy Lee
Administrator
Aloha Nursing Rehab Centre**

**Re: Testimony in Support
SB 2396, Relating to Long-Term Care Facilities**

Aloha Nursing Rehab Centre is a 141-bed Skilled Nursing Facility located in Kaneohe, ministering to the needs of 141 seniors and employing 190 dedicated staff for almost 30 years.

We would like to thank Chair Chun Oakland, Chair Baker, and the Senate Committees on Human Services and Commerce, Consumer Protection, and Health for the opportunity to testify in support of SB 2396. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in state funding that would be matched with federal dollars.

Despite being a State Medicaid Plan requirement, annual inflationary updates have not been paid by Medicaid essentially since 2009 (except when a partial adjustment was provided in 2011). The lack of inflationary updates has left nursing facilities with reimbursements locked in at 2009 rates at a time when, seven years later, operating costs for wages, health insurance and utilities have increased significantly. Without proper inflationary adjustments to reimbursements, nursing facilities must face

the difficult proposition of declining patient admissions and/or shutting down services to remain financially viable. This has large repercussions to Hawaii's broader health care system as these patients would then remain in acute hospital beds awaiting placement in alternative care settings.

According to data prepared by the Healthcare Association of Hawaii, the suspension of inflationary updates since 2009 has resulted in nearly \$78 million in lost reimbursement for the care of our seniors of this amount, roughly \$41 million are foregone federal matching funds which could have been drawn down for the benefit of serving our seniors.

We desperately need this measure to continue to care for the frail, vulnerable seniors and convalescent disabled in our community in a manner they deserve. Thank you for the opportunity to submit testimony on this critical legislation.

February 2, 2016

Senate Committee on Human Services

To: Chair: Suzanne Chun Oakland
Vice Chair: Gil Riviere

Senate Committee on Commerce, Consumer Protection, and Health

Chair: Rosalyn Baker
Vice Chair: Michelle N. Kidani

Re: Testimony in Support
SB 2396, Relating to Long Term Care Facilities

I am the Treasurer of Hale Makua Health Services, a 70 year old not for profit organization, that operates two nursing homes with 344 beds on Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by State Medicaid program. We have not received an inflationary increase in Medicaid reimbursement in many years! We have worked extremely hard as a board to reduce expenses but our year over year losses continue to drain our limited reserves. This legislation is extremely critical to our ability to continue to serve the frail and elderly on Maui.

Thank you for the opportunity to testify in support of SB 2396.

Sincerely,

ROY SAKAMOTO

Treasurer, Hale Makua Health Services

Mel Kawano

625 Lono Avenue
Kahului, HI 96732

Facsimile Cover Sheet

**To: State of Hawaii
Hawaii State Legislature**

Phone:

Fax: (808) 586-6131

**From: Melvin Kawano
Company:**

Phone: (808) 270-3703

Fax: (808) 877-0572

Date: February 2, 2016

Pages (incl. this cover page):

COMMENTS: Attached testimony Senate Bill SB2396 (DRI Inflationary
adjustment bill)

Hard Copy to Follow:

☐ **Yes**

☒ **No**

CONFIDENTIALITY NOTICE: This facsimile is intended only for the use of the intended recipient named above and may contain confidential and/or legally privileged information. If you are not the intended recipient, or the person responsible for delivering it to the intended recipient, you are hereby notified that you have received this document in error, and that any review, use, disclosure, distribution or copying of this message is strictly PROHIBITED. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the above address by mail. Thank you.

**HALE MAKUA HEALTH SERVICES**

COMPASSION COMMITMENT COMMUNITY

February 2, 2016

Senate Committee on Human Services

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Senate Committee on Commerce, Consumer Protection, and Health

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

Re: **Testimony in Support**
SB 2396, Relating to Long-Term Care Facilities

Thank you for this opportunity to testify in **support** of SB 2396.

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses but our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396

Sincerely,

Member, *MELVIN KAWANO*

Hale Makua Health Services Board of Directors



February 2, 2016

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

From: Connie Miller
Administrator
Hale Makua Wailuku

Re: **Testimony in Support**
SB 2396, Relating to Long-Term Care Facilities

Thank you for this opportunity to testify in **support** of SB 2396.

Nursing homes in Hawaii have gone without an inflationary increase to our Medicaid rates since 2009. As you are well aware, costs including food, medicine, employee health insurance, and wages have been increasing year after year. At Hale Makua, however, we have been unable to keep up with increasing wages and have repeatedly been on the brink of a labor strike over our inability to give our valuable employees suitable cost of living increases.

At my nursing home in Wailuku, 83% of all our residents are on Medicaid. We do not turn away people in need because they are on Medicaid. However, the Medicaid reimbursement is less than our costs for providing care. We have done all we can to cut expenses, but without the inflationary increase, our labor challenges will continue to worsen. Not only are we not able to provide the kinds of wages our employees deserve, we are having a very hard time recruiting for numerous openings due to our inability to compete with wages offered by other employers. Additionally, our delayed maintenance continues to add up, and our year-over-year losses continue to drain our limited reserves.

This legislation would provide relief to long-term care facilities in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in state funding that would be matched with federal dollars.

This legislation presents a common-sense way to use available federal resources to support Hawaii's kupuna; a population that is growing quickly.

I urge you to support Hawaii's long-term care providers and the kupuna they serve by voting in favor of SB 2396.



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 4, 2016 at 1:15 PM
Room 016

Senate Committee on Human Services

Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

From: Tony Krieg
C.E.O.

Re: **Testimony in Support**
SB 2396, Relating to Long-Term Care Facilities

As you know, The State Department of Human Services decided to freeze the Medicaid rate inflation factor in 2009. It is still called for in the State's Medicaid Plan. This freeze has had a significant negative impact on Hale Makua Health Services. As Maui's primary nursing home provider, we rely on a considerable amount of Medicaid revenues as nearly 80% of our residents are Medicaid beneficiaries. As a result of no increase in our Medicaid revenues, Hale Makua Health Services has not been able to keep up with the rising cost of labor, food, medicine, and employee health insurance. We have made difficult decisions to defer maintenance of our facilities, and find it nearly impossible to keep up with any additional costs that are not reimbursed.

For example, since 2010, nearly all of the primary care physicians in the Maui community no longer admit to Maui Memorial Medical Center or to Hale Makua's nursing homes. Without a physician willing to admit, attend and take call from our nursing staff, no one on Maui who needed admission to our nursing homes could be discharged from Maui Memorial. As a non-profit community based organization our board felt it our duty to make sure that Maui's only hospital was able to continue to discharge patients to our facilities. Therefore, we made the difficult but necessary decision to absorb the cost of flying in temporary physicians from the Mainland every 4-6 months to make sure that the flow of patients from the community and Maui Memorial Hospital could continue to be admitted to Hale Makua's nursing homes. We currently admit 25-30 patients a month from Maui Memorial and the community. Medicaid reimbursement does not recognize the \$350,000 to \$400,000 annual expense to provide this physician coverage

This legislation presents a common-sense way to use available federal resources and support our growing senior population and Maui Memorial Medical Center. Passage of this program is critical in helping Hale Makua Health Services *mitigate* our year over year Medicaid losses and continue our tradition of serving the Maui community.



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 2, 2016

Senate Committee on Human Services

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Senate Committee on Commerce, Consumer Protection, and Health

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

**Re: Testimony in Support
SB 2396, Relating to Long-Term Care Facilities**

Thank you for this opportunity to testify in **support** of SB 2396.

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses but our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396

Sincerely,

Maria A Unemori

Hale Makua Health Services Board of Directors



February 4, 2016 at 1:15 PM
Room 016

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

From: George Greene
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB 2396, Relating to Long-Term Care Facilities

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 Chair Chun Oakland, Chair Baker, and the Senate Committees on Human Services and Commerce, Consumer Protection, and Health for the opportunity to testify in **support** of SB 2396. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—in some cases, facilities have 70-80 percent of their patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records.

It is clear that these facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Some of our members have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. Many providers have seen a change in the demographics at their facilities. Now, they are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, many of our LTC providers care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We would respectfully request amendments to conform the bill to more standard language and to add an appropriation amount to ensure that funding is available for this critical legislation. First, we would respectfully request that subsection (c) be removed. Second, we would respectfully request that new Sections 3, 4 and 5 be added to include the language found at the end of this document to provide an appropriation and a sunset date.

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

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$1,900,000 or so much thereof as may be necessary for fiscal year 2016-2017 to provide a cost increase to a long-term care facility's provider-specific prospective payment rate by applying an inflation adjustment to the provider's historical costs or basic prospective payment system rates. The annual inflation factor shall be the rate approved by the federal government in the medicaid state plan.

The sum appropriated shall be expended by the department of human services for the purposes of this Act.

SECTION [~~3~~]4. New statutory material is underscored.

SECTION [~~4~~]5. This Act shall take effect upon its approval and shall be repealed on June 30, 2017.



NUUANU HALE

2900 Pali Highway Honolulu, Hawaii 96817

**February 4, 2016 at 1:15 PM
Room 016**

**Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health**

**To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere**

**Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani**

**From: Gayle Lau, NHA
Administrator
Nuuanu Hale**

**Re: Testimony in Support
SB 2396, Relating to Long-Term Care Facilities**

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 Chair Chun Oakland, Chair Baker, and the Senate Committees on Human Services and Commerce, Consumer Protection, and Health for the opportunity to testify in support of SB 2396. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in state funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—in some cases, facilities have 70-80 percent of their patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum

of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records.

It is clear that these facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Some of our members have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. Many providers have seen a change in the demographics at their facilities. Now, they are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, many of our LTC providers care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

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



February 4, 2016 at 1:15 PM
Room 016

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

From: Kurt Akamine
Vice President
Ohana Pacific Management Company, Inc.

Re: Testimony in Strong Support
SB 2396, Relating to Long-Term Care Facilities

My name is Kurt Akamine and I am the Vice President of Ohana Pacific Management Company, Inc. (OPMC) which owns and operates five post-acute care facilities servicing more than 500 patients on Oahu and Kauai as well as an adult day health program and home health agency on Kauai.

OPMC is the largest privately owned post-acute health care provider in the state and strives to provide the highest quality of post-acute care to the Hawaii population. Our foundation for delivery of care encompasses many aspects but quality is the main driver.

In 2008, nursing homes in Hawaii were asked by DHS to help the state balance its budget during the great recession by waiving the inflationary rate adjustment to Medicaid payments that is a requirement by the state plan. A commitment was made by DHS to that this adjustment was to be for one year. Every indication is that our economy has righted itself. However, the promise made by leaders at the time to nursing facilities was never fulfilled, and the rate adjustment to Medicaid payments was never restored. LTC providers in Hawaii have gone without an inflationary adjustment to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years.

This legislation would provide some relief for these providers by re-establishing the inflationary rate adjustment to the Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—in some cases, facilities have 70-80 percent of their patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. The costs of serving patients have increased without an attendant increase in reimbursements. We have had to postpone much needed maintenance and renovations in order to meet the increasing patient needs such as contracting with primary care physicians, geriatric psychiatrists and installing electronic health records.

Our facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Other facilities have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

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Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. Many providers have seen a change in the demographics at their facilities. Now, they are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, many of our LTC providers care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

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



PALOLO CHINESE HOME

Better Care. Better Lives

February 4, 2016 at 1:15 PM
Room 016

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Suzanne Chun Oakland
Vice Chair Gil Riviere

Chair Rosalyn H. Baker
Vice Chair Michelle N. Kidani

From: Brenda Kumabe, CPA
Chief Financial Officer
Palolo Chinese Home

Re: Testimony in Support
SB 2396, Relating to Long-Term Care Facilities

The Palolo Chinese Home (the “Home”), established in 1920 is a private eleemosynary, State of Hawaii not-for-profit organization. The Palolo Chinese Home was organized for the purpose of assisting and caring for the aged, maintaining homes for them, aiding in the alleviation of human suffering and distress, and carrying on works of charity and benevolence for the Hawaii senior population. The Home is licensed by the State Department of Health, Office of Health Care Assurance as an Adult Residential Care Home Type II Facility and as a Skilled Nursing and Intermediate Care Facility. The Home is also licensed by the State Department of Human Services, Social Services Division to operate an Adult Day Care Center and maintains certification as a licensed provider for Medicare and Medicaid services.

We would like to thank Chair Chun Oakland, Chair Baker, and the Senate Committees on Human Services and Commerce, Consumer Protection, and Health for the opportunity to testify in **support** of SB 2396, which provides for relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in state funding that would be matched with federal dollars.

Palolo Chinese Home along with other long-term care facilities in the state continue to face major financial challenges in providing quality healthcare to Hawaii residents, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Palolo Chinese Home provided healthcare services for more than 500 Hawaii seniors in 2015. Including \$1.8 million in subsidies for 96 persons primarily through the State of Hawaii Medicaid and Federal SSI programs.

Palolo Chinese Home like other Hawaii facilities have not received inflationary adjustments for a number of years, which has significantly widened the gap between costs and reimbursements. In 2012, the American

Health Care Association estimated that this gap nearly averaged \$20 per day (per patient) for Hawaii long-term care facilities. The financial impact for Palolo Chinese Home is further magnified since approximately 33% of patients in its facilities are covered by the state Medicaid program.

The most immediate impact of providing relief to LTC providers in the state will be to help LTC providers keep their facilities open to serve Hawaii's growing senior population. Because the costs of serving patients have increased without an attendant increase in reimbursements for a number of years, sub-acute and LTC facilities can no longer continue to provide healthcare services at a loss. Without an increase in reimbursements to cover minimum inflation, LTC facilities are having to cut back on services and perquisites unable to fiscally cover the increasing gap in reimbursement to cover the costs of healthcare. Palolo Chinese Home loses \$100 per day in Medicaid reimbursement revenue. The loss must be made up by cutting back on services and investments in plant and equipment, and by reimbursement from other insurance or Hawaii residents who privately pay for services and who provide some reimbursement coverage for the losses sustained in Medicaid reimbursement.

Palolo Chinese Home's front-line medical staff have experienced stagnant wages or reduced benefits, leading to trained and experienced staff seeking employment elsewhere. In addition, the Home has had to defer or cut back on maintenance of plant and equipment in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff, installing electronic health records, cost reporting, etc.

This legislation presents a common-sense way to use available federal resources and to support our growing senior population LTC healthcare needs. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program. Palolo Chinese Home is one of the facilities who have paid out more into the Nursing Facility Sustainability Program than received in subsidies.

We appreciate your consideration of this important matter, and urge your support of this measure to ensure Hawaii's LTC facilities continue to serve patients with the excellent healthcare that is needed and is deserved by its people.

The Arc in Hawaii
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808 737-7995

February 4, 2016

The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection, and Health

State Capitol
State of Hawaii
Honolulu, Hawaii 96813

RE: SB 2396 - RELATING TO LONG-TERM CARE FACILITIES
Hearing: Thursday, February 4, 2016. 1:15 PM
Conference Room 016

Dear Senators Chun Oakland and Baker and Members of the Committees;

The Arc in Hawaii **SUPPORTS** the intent of Senate Bill 2396 which provides an inflationary adjustment for long-term care facilities for medicaid recipients.

Long-term care facilities are vital elements in the State's care of disabled and aged citizens. Operating costs constantly increase, but compensation rates do not keep pace. Without proper inflationary adjustments to reimbursements, providers will face difficult decisions about shutting down facilities or reducing services in order to remain viable, with harsh impact on those who most need our care.

Thank you for the opportunity to submit testimony

Thomas P. Huber , President
The Arc in Hawaii