DAVID Y. IGE
GOVERNOR OF HAWAII

VIRGINIA PRESSLER, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. Box 3378
Honolulu, HI 96801-3378
doh.testimony@doh.hawaii.gov

Testimony COMMENTING on Senate Bill 307, SD 2
RELATING TO HEALTH

REPRESENTATIVE DELLA AU BELATTI, CHAIR
HOUSE COMMITTEE ON HEALTH

REPRESENTATIVE DEE MORIKAWA, CHAIR
HOUSE COMMITTEE ON HUMAN SERVICES

Hearing Date: Wednesday, March 18, 2015 Room Number: 329

Fiscal Implications: The Office of Health Care Assurance (OHCA) Special Fund does not currently have sufficient funds to implement or support this new program. Approximately $225,000 over the next two (2) fiscal years and two (2) new full time, permanent, civil service positions would be required which are not part of the governor's budget proposal.

Department Testimony: The department appreciates the intent of this bill with the following COMMENTS and concerns:

1. Licensure Fee: the department would prefer to establish a licensure fee in administrative rules rather than by statute. The administrative rules are well on their way to a final draft and will include licensure fees on other types of healthcare providers as well. The department expects to have the rules ready for public hearing by the end of the calendar year at the latest.
2. Priorities, Staff and Funding: the department appreciates the legislature's recognition of the need to support the department's current licensure programs by providing staff resources for this DME licensure program and in support of the department's other

current licensure programs. However, the language in the bill should be clarified to state that the staff resources are new positions to be created and established. Otherwise, the bill appears to imply that the positions already exist within the department, which they do not. The bill language is also unclear on how these positions would be funded, such as if solely from the DME licensure fees. The department would prefer these positions to be general funded with the knowledge that licensure fees would be collected and deposited to the OHCA special fund and could be used to offset the general fund. The OHCA special fund currently does not have the funds to support the expected expenditures and would not have the funds from the DME licensure program until several months into implementing the program.

Nevertheless, the department appreciates the legislature's support and for hearing the department's concerns.

Thank you for the opportunity to support the intent of this bill and to provide comments.

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEES ON HEALTH AND HUMAN SERVICES
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

Date: Wednesday, March 18, 2015
Time: 8:30 a.m.
Conference Room: 329

TESTIMONY ON SENATE BILL NO. 307, SD2
RELATING TO HEALTH

WRITTEN COMMENTS ONLY

TO THE HONORABLE DELLA AU BELATTI AND THE HONORABLE DEE MORIKAWA, CHAIRS, AND MEMBERS OF THE COMMITTEES:

Thank you for the opportunity to provide written comments on this measure. The Business Registration Division of the Department of Commerce and Consumer Affairs offers a technical comment regarding this draft's impact to business registration law and take no position beyond our area of expertise.

This bill requires the Department of Health to implement a licensing program for durable medical equipment suppliers. State business registration is required in three proposed new HRS sections of this bill:

1. §321-D(b), relating to licensing;
2. §321-E(b), relating to annual inspection; and
3. §321-G(b), relating to supplier duties.

To avoid confusion, changes were made to the Senate Draft 1 of this bill to clarify and make consistent the business registration documentation requirements. However, the language remains inconsistent in this Senate Draft 2. We suggest making the following change to §321-D(b)(3) to conform to the other two like-provisions in this Senate Draft 2:

§321-D Licensing. (a) All suppliers shall be licensed.

(b) A supplier shall be licensed if:

(1) The supplier maintains an appropriate physical location within the State;

(2) The supplier has passed an annual inspection performed by the office of health care assurance; and

(3) The supplier provides proof that it has complied with the business [~~regulation~~] registration laws of the State and has all required tax identification numbers.

Thank you for the opportunity to offer these comments on Senate Bill No. 307, SD2.

PRESENTATION OF THE
BOARD OF PHARMACY

TO THE HOUSE COMMITTEE ON HEALTH

AND

TO THE HOUSE COMMITTEE ON HUMAN SERVICES

TWENTY-EIGHTH LEGISLATURE
Regular Session of 2015

Wednesday, March 18, 2015
8:30 a.m.

TESTIMONY ON SENATE BILL NO. 307, S.D. 2, RELATING TO HEALTH.

TO THE HONORABLE DELLA AU BELATTI, CHAIR,
TO THE HONORABLE DEE MORIKAWA, CHAIR,
AND MEMBERS OF THE COMMITTEES:

My name is Lee Ann Teshima, Executive Officer for the Board of Pharmacy ("Board"). I appreciate the opportunity to testify on Senate Bill No. 307, S.D. 2, Relating to Health, that establishes licensure requirements for durable medical equipment suppliers through the Office of Health Care Assurance.

The Board supports this bill with the following amendments:

- Board licensed/permitted pharmacies should be exempt from the Department of Health's licensing and inspection requirements because dispensing of prescription drugs and devices are already covered under the pharmacy license/permit. A new subsection may be added to read as follows:

  "§321- Exemptions. Pharmacies licensed or permitted under section 461, HRS are exempt from these licensing requirements." ; and

- Clarify that "Durable medical equipment" may not contain any prescription drugs.

  The definition of "Durable medical equipment" may be amended as follows:

" 'Durable medical equipment' means equipment that can stand repeated use, is primarily and customarily used to serve a medical purpose, is generally not useful to a person in the absence of an illness or injury, and is appropriate for use in the home. Durable medical equipment shall not contain any prescription drug."

Thank you for the opportunity to testify on Senate Bill No. 307, S.D. 2.

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare for All"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan Vice Chair

House Committee on Human Services
Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair

March 18, 2015
Conference Room 329
8:30 a.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 307, SD2, Relating to Health (Licensure; Durable Medical Equipment; Office of Health Care Assurance; Appropriation)

Linda Rosen, M.D., M.P.H.
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** Senate Bill 307, SD2, which establishes licensure requirements for durable medical equipment suppliers through an annual inspection by the office of health care assurance and appropriates funds from the office of health care assurance special fund to administer the durable medical equipment licensing program.

The Medicare program implemented a bidding process for the award of contracts to supply durable medical equipment to Medicare patients a few years ago. Unfortunately, the vast majority of the vendors in the program are located on the mainland, which causes logistical and communication problems resulting in delays in receipt of the equipment. Not all vendors who are located here are allowed to provide all types of equipment. Last year, Maui Memorial Medical Center estimated a loss of $516,096 in one year due to the delays in discharging patients who were not able to obtain the necessary equipment to use at home. (2 day delay x $1344 room and board rate x 4 patients per week = $10,752. 52 weeks = $516,096.). Our other acute facilities are facing similar delays.

More important than the lost revenue is the fact Maui Memorial Medical Center's acute beds have been consistently full for the past year. Patients needing the acute beds are being held in the Emergency Department or elsewhere while patients who are ready to be discharged, but for the needed equipment, occupy the acute beds. Therefore, the care of our patients is affected by this delay in the discharge process.

We support the changes in SD1, particularly to place the equipment vendors within local licensing regulations administered by the DOH, Office of Healthcare Assurance. By adding this licensing and oversight requirement, the State can better ensure that the vendors meet the needs of the patients and meet explicit standards, including the timely supply of needed equipment.

We support this measure as currently drafted (SD2). Thank you for the opportunity to testify.

THE QUEEN'S HEALTH SYSTEMS

To: Chair Della Au Belatti
Vice Chair Richard P. Creagan
House Committee on Health

Chair Dee Morikawa
Vice Chair Bertrand Kobayashi
House Committee on Human Services

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

Re: SB 307 SD 2, Relating to Health
Hearing—March 18, 2015 at 8:30 AM

The Queen's Health Systems would like to provide support for legislative efforts that will increase the quality of services provided to our patients need durable medical equipment.

Like many other facilities, we have had issues with durable medical suppliers who compete in the Medicare national competitive bidding program. Many of the suppliers participating in this program are located thousands of miles from Hawaii. Because of the large distances and time differences, it is often hard for our staff to engage with these suppliers to even check on the status of previously placed orders. We have many cases where our staff is unable to contact vendors to obtain needed equipment and many contracted vendors are unable to fulfill our orders in a timely fashion.

The many issues we have had with these contracted vendors has directly and negatively impacted the quality of care our patients receive. This happens because of delayed discharges to the appropriate settings and, sometimes, because the right equipment is simply not delivered.

We would ask for your support to ensure that Hawaii residents are able to get the highest possible quality of care. Thank you for your time and consideration of this matter.

Healthcare Association of Hawaii

Wednesday, March 18, 2015 – 8:30 a.m.
Conference Room #329

House Committees on Health and Human Services

To: Rep. Della Au Belatti, Chair, HLT Committee
Rep. Richard Creagan, MD, Vice Chair, HLT Committee

Rep. Dee Morikawa, Chair, HUS Committee
Rep. Bert Kobayashi, Vice Chair, HUS Committee

From: George Greene, President & CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB307 SD2 — Relating to Health (DME Licensure)

The Healthcare Association of Hawaii's 160 member organizations include all of the acute care hospitals in Hawaii, all public and private skilled nursing facilities, all the Medicare-certified home health agencies, all hospices, all assisted living facilities, durable medical equipment suppliers and home infusion/pharmacies. Members also represent other healthcare providers from throughout the continuum including case management, air and ground ambulance, blood bank, dialysis, and more. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to testify in **support** of SB307 SD2, which establishes licensure requirements for durable medical equipment (DME) suppliers through the Department of Health's Office of Healthcare Assurance.

Round 2 of Medicare's DME Competitive Bidding Program began July 1, 2013 in the City and County of Honolulu. Unfortunately, only 13 of the 97 vendors selected were located within the state of Hawaii, leaving the vast majority of vendors incapable of delivering equipment in a timely fashion. These vendors also tend not to have special phone or service hours to account for the time difference in Hawaii. Without access to timely, local services, Medicare beneficiaries in Hawaii have been forced to either wait several weeks, forego necessary DME devices, or purchase such devices out of their own pocket. This restricted access to care has led to reductions in health, increases in preventable admissions and readmissions, increases in costs to beneficiaries, and reduced quality of life for Medicare patients.

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It has also negatively impacted hospital, long-term care and hospice facilities by resulting in delays in patient discharge. Lack of locally-available DME supplies also greatly impacts our ability to care for patients in a time of major emergency or disaster. As an isolated island state, it is crucial to have at least a minimal in-state inventory of equipment and supplies. Hawaii historically has only a small inventory of essential devices such as ventilators, infusion pumps and oxygen concentrators.

In prior hearings on this bill, issues were raised that a state licensure program might reduce competition by limiting the number of suppliers servicing the Hawaii market. Medicare's competitive bidding program has been designed to ensure that at least five suppliers are available for each product category; if Medicare determines additional suppliers are needed, they may offer contracts to suppliers who previously submitted bids for the program (but were not selected). Further, when a supplier signs a competitive bidding contract, that supplier agrees to all the provisions of the contract, and is not allowed to terminate the contract early without jeopardizing future participation in Medicare.

We have also learned that since Medicare's competitive bidding program began around two years ago, a total of 17 states have since instituted varying licensure requirements on DME suppliers. At this time last year, we were only aware of one state (Tennessee) that had such a program in place. Clearly, more and more states that make up the contiguous 48 are implementing legislative remedies to address this growing problem. Establishing the licensure program and requiring a physical in-state presence as outlined in this measure would go a long way to assuring that Medicare beneficiaries in Hawaii have timely access to the DME devices they need to maintain their quality of life.

Thank you for the opportunity to testify in support of SB307 SD2.

Healthcare Association of Hawaii

Wednesday, March 18, 2015 – 8:30 a.m.
Conference Room #329

House Committees on Health and Human Services

To: Rep. Della Au Belatti, Chair, HLT Committee
Rep. Richard Creagan, MD, Vice Chair, HLT Committee

Rep. Dee Morikawa, Chair, HUS Committee
Rep. Bert Kobayashi, Vice Chair, HUS Committee

From: Beth Hoban
President, Prime Care Services Hawaii

Re: Testimony in Support
SB307 SD2 — Relating to Health (DME Licensure)

Thank you for the opportunity to testify in **support** of SB307 SD2, which establishes licensure requirements for durable medical equipment (DME) suppliers through the Department of Health's Office of Healthcare Assurance. I, Beth Hoban, support SB307 SD2, because licensure of DME suppliers will ensure better quality and timely delivery of equipment in the patients' homes.

Round 2 of Medicare's DME Competitive Bidding Program began July 1, 2013 in the City and County of Honolulu. Unfortunately, only 13 of the 97 vendors selected were located within the state of Hawaii, leaving the vast majority of vendors incapable of delivering equipment in a timely fashion. These vendors also tend not to have special phone or service hours to account for the time difference in Hawaii. Without access to timely, local services, Medicare beneficiaries in Hawaii have been forced to either wait several weeks, forego necessary DME devices, or purchase such devices out of their own pocket. This restricted access to care has led to reductions in health, increases in preventable admissions and readmissions, increases in costs to beneficiaries, and reduced quality of life for Medicare patients.

It has also negatively impacted hospital, long-term care and hospice facilities by resulting in delays in patient discharge. When patients insist on being discharged and they do not have the necessary equipment needed in the home, safety is compromised and re-admission to the hospital increases. Lack of locally-available DME supplies also greatly impacts our ability to care for patients in a time of major emergency or disaster. As an isolated island state, it is crucial to have at least a minimal in-state inventory of equipment and supplies. Hawaii historically has only a small inventory of essential devices such as ventilators, infusion pumps and oxygen concentrators.

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Special equipment, such as the "Wound Vac" for wound management is necessary for home healthcare patients with deep wounds. In the last month, 4 patients receiving home healthcare services changed DME supplier used by the hospital, because of the sub-standard quality of the equipment delivered to the patients' homes and the DME supplier not answering calls when patients needed additional supplies or assistance. The equipment malfunctioned and could not be used as required for their wound management, which could have resulted in wound complications and infections. Changing DME supplier puts a burden on the patients' financial situation and risk for paying out-of-pocket expenses.

In prior hearings on this bill, issues were raised that a state licensure program might reduce competition by limiting the number of suppliers servicing the Hawaii market. Medicare's competitive bidding program has been designed to ensure that at least five suppliers are available for each product category; if Medicare determines additional suppliers are needed, they may offer contracts to suppliers who previously submitted bids for the program (but were not selected). Further, when a supplier signs a competitive bidding contract, that supplier agrees to all the provisions of the contract, and is not allowed to terminate the contract early without jeopardizing future participation in Medicare.

We have also learned that since Medicare's competitive bidding program began around two years ago, a total of 17 states have since instituted varying licensure requirements on DME suppliers. At this time last year, we were only aware of one state (Tennessee) that had such a program in place. Clearly, more and more states that make up the contiguous 48 are implementing legislative remedies to address this growing problem. Establishing the licensure program and requiring a physical in-state presence as outlined in this measure would go a long way to assuring that Medicare beneficiaries in Hawaii have timely access to the DME devices they need to maintain their quality of life.

Thank you for the opportunity to testify in support of SB307 SD2.

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Affiliated with the American Hospital Association, American Health Care Association, National Association for Home Care and Hospice,
American Association for Homecare and Council of State Home Care Associations

PRIME CARE SERVICES HAWAII, INC.

Wednesday, March 18, 2015 – 8:30 a.m.
Conference Room #329

House Committees on Health and Human Services

To: Rep. Della Au Belatti, Chair, HLT Committee
Rep. Richard Creagan, MD, Vice Chair, HLT Committee

Rep. Dee Morikawa, Chair, HUS Committee
Rep. Bert Kobayashi, Vice Chair, HUS Committee

From: Beth Hoban
President, Prime Care Services Hawaii

Re: Testimony in Support
SB307 SD2 — Relating to Health (DME Licensure)

Thank you for the opportunity to testify in **support** of SB307 SD2, which establishes licensure requirements for durable medical equipment (DME) suppliers through the Department of Health's Office of Healthcare Assurance. I, Beth Hoban, support SB307 SD2, because licensure of DME suppliers will ensure better quality and timely delivery of equipment in the patients' homes.

Round 2 of Medicare's DME Competitive Bidding Program began July 1, 2013 in the City and County of Honolulu. Unfortunately, only 13 of the 97 vendors selected were located within the state of Hawaii, leaving the vast majority of vendors incapable of delivering equipment in a timely fashion. These vendors also tend not to have special phone or service hours to account for the time difference in Hawaii. Without access to timely, local services, Medicare beneficiaries in Hawaii have been forced to either wait several weeks, forego necessary DME devices, or purchase such devices out of their own pocket. This restricted access to care has led to reductions in health, increases in preventable admissions and readmissions, increases in costs to beneficiaries, and reduced quality of life for Medicare patients.

It has also negatively impacted hospital, long-term care and hospice facilities by resulting in delays in patient discharge. When patients insist on being discharged and they do not have the necessary equipment needed in the home, safety is compromised and re-admission to the hospital increases. Lack of locally-available DME supplies also greatly impacts our ability to care for patients in a time of major emergency or disaster. As an isolated island state, it is crucial to have at least a minimal in-state inventory of equipment and supplies. Hawaii historically has only a small inventory of essential devices such as ventilators, infusion pumps and oxygen concentrators.

3375 Koapaka Street Suite I 570 Honolulu, Hawaii 96819
Tel. (808) 531-0050 Fax (808) 839-4973

PRIME CARE SERVICES HAWAII, INC.

Special equipment, such as the "Wound Vac" for wound management is necessary for home healthcare patients with deep wounds. In the last month, 4 patients receiving home healthcare services changed DME supplier used by the hospital, because of the sub-standard quality of the equipment delivered to the patients' homes and the DME supplier not answering calls when patients needed additional supplies or assistance. The equipment malfunctioned and could not be used as required for their wound management, which could have resulted in wound complications and infections. Changing DME supplier puts a burden on the patients' financial situation and risk for paying out-of-pocket expenses.

In prior hearings on this bill, issues were raised that a state licensure program might reduce competition by limiting the number of suppliers servicing the Hawaii market. Medicare's competitive bidding program has been designed to ensure that at least five suppliers are available for each product category; if Medicare determines additional suppliers are needed, they may offer contracts to suppliers who previously submitted bids for the program (but were not selected). Further, when a supplier signs a competitive bidding contract, that supplier agrees to all the provisions of the contract, and is not allowed to terminate the contract early without jeopardizing future participation in Medicare.

We have also learned that since Medicare's competitive bidding program began around two years ago, a total of 17 states have since instituted varying licensure requirements on DME suppliers. At this time last year, we were only aware of one state (Tennessee) that had such a program in place. Clearly, more and more states that make up the contiguous 48 are implementing legislative remedies to address this growing problem. Establishing the licensure program and requiring a physical in-state presence as outlined in this measure would go a long way to assuring that Medicare beneficiaries in Hawaii have timely access to the DME devices they need to maintain their quality of life.

Thank you for the opportunity to testify in support of SB307 SD2.

3375 Koapaka Street Suite I 570 Honolulu, Hawaii 96819
Tel. (808) 531-0050 Fax (808) 839-4973

Hawaii Association of Health Plans

March 18, 2015

Honorable Della Au Belatti, Chair
Honorable Richard Creagan, Vice Chair
House Committee on Health

Honorable Dee Morikawa, Chair
Honorable Bertrand Kobayashi, Vice Chair
House Committee on Human Services

RE: SB307 SD2 – Relating to Health

Chair Belatti, Chair Morikawa, Vice Chair Creagan, Vice Chair Kobayashi and Members of the Committees:

The Hawai'i Association of Health Plans (HAHP) respectfully submits comments in opposition of SB307 SD2, which among other things establishes a licensure requirement for durable medical equipment suppliers participating in the nationwide competitive bidding program through the Office of Health Care Assurance (Department of Health).

HAHP has previously opposed similar legislation, primarily because of the potential unintended consequences of suppliers choosing not to participate in Hawaii's marketplace due to the additional regulations and fees that would accompany passage of this measure. In effect, the bill undermines existing Medicare procurement policy, thus reducing competition and driving up costs for Medicare recipients.

We would also draw the Committee's attention to the possible impact that this bill could have on creating a monopoly in certain situations if suppliers choose not to compete in Hawaii.

The concerns expressed by the Department of Health with regard to the Department's ongoing expense derived from this program, as well as whether there is adequate staffing to execute this measure, are also worth considering should this measure advance.

Thank you for allowing HAHP to testify in opposition to SB307 SD2.

Sincerely,

Wendy Morriarty
Chair, HAHP Public Policy Committee

Cc: HAHP Board Members

An Independent Licensee of the Blue Cross and Blue Shield Association

March 18, 2015

The Honorable Della Au Belatti., Chair
House Committee on Health
The Honorable , Dee Morikawa, Chair
House Committee on Human Services

Re: SB 307, SD2 – Relating to Health

Dear Chair Au Belatti, Chair Morikawa and Members of the Committees:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 307, SD2, which would establish licensure requirements for durable medical equipment (DME) suppliers. HMSA has grave concerns with this Bill.

It has long been HMSA's mission to improve the health and well-being of our members and for all the people of Hawai`i. But, we also are cognizant of the need to provide services and products our members demand, in the most efficient way. We need to do our part to contain the cost of Hawaii's health care system.

HMSA has concerns with this Bill because it will drive up costs for all of our plans and not only the Medicare plans. . Under the original Medicare program, purchases of DME must be made exclusively from the list of vendors secured under the CMS DME procurement contract. This Bill will require all DME vendors to be licensed and have a physical local presence. Since the Bill applies to all DME vendors, it will drive up costs. Not only for Medicare members, but for our commercial, QUEST, EUTF, and ETUF retiree plans, as well as our MA plans. This legislation will:

- Reduce competition
- In some cases, effectively create monopolies; and
- Worst of all, potentially eliminate the availability of any vendor for a particular DME. Some devices are only supplied by a few DME vendors, and Medicare will deny claims from non-Medicare-procured vendors. Should a Medicare-approved vendor choose not to have a local presence, as is required under the Bill, beneficiaries may lose access to those devices.

We understand the main concern of the proponents of this measure is a lack of timely accessibility to DME, and there is a belief that a vendor with local presence will resolve that problem. We are informed that there are certain DME that vendors simply will not store locally or already have decided not to offer. Consequently, the concern will not be addressed by this Bill.

HMSA believes in the importance of ensuring cost-effective access to quality DME from suppliers that members can trust. HMSA has concerns with this Bill because it will have the

An Independent Licensee of the Blue Cross and Blue Shield Association

immediate effect of reducing competition and, consequently, driving-up the cost of health care for our members and the State. Simply put, this Bill is not consumer friendly.

Thank you for allowing us to testify on SB 307, SD2, and you consideration of the concerns we have raised is appreciated.

Sincerely,

Jennifer Diesman
Vice President, Government Relations

ALOHA NURSING REHAB CENTRE
45-545 Kamehameha Hwy • Kaneohe, HI 96744
Phone 808-247-2220 • Fax 808-235-3676
www.alohanursing.com

March 2, 2015

Rep. Della Au Belatti, Chair, HLT Committee
Rep. Richard Creagan, MD, Vice Chair, HLT Committee

Rep. Dee Morikawa, Chair, HUS Committee
Rep. Bert Kobayashi, Vice Chair, HUS Committee
House Committees on Health and Human Services

Patrick Harrison
Department of Social Services
Aloha Nursing Rehab Centre

Re: Testimony in Support: SB307 SD2 – Relating to Health (DME Licensure)

Aloha Nursing Rehab Centre is a skilled nursing facility licensed for 141 Medicare/Medicaid beds located in Kaneohe, Hawaii. Our skilled nursing facility has been in operation since 1988, and continues to provide skilled nursing services for individuals transitioning out of the hospital and back into the community in addition to other services including Hospice, respite, intermediate, and adult day care. In the past five years, patient admissions have continued to increase from hospitals [Figure 1], while discharges have also increased [Figure 2], resulting in much higher patient turnover rate with a lower patient occupancy rate. Moreover, Medicare days continue to have an increasing trend from patients at our facility since the implementation of the Round 2 Medicare's DME Competitive Bidding Program in July 1, 2013 [Figure 3].

Due to an increasing patient turnover from hospitals and back into the community, it is paramount to promote an effective and timely means for obtaining necessary equipment to ensure patient safety and autonomy, reduce hospitalizations, and minimize overall healthcare costs in Hawaii's community. As such, I am thankful for the opportunity to testify in support of SB307 SD2, which establishes licensure requirements for durable medical equipment (DME) suppliers through the Department of Health's Office of Healthcare Assurance.

Since the implementation of Medicare's Round 2 Competitive Bidding Program on July 1, 2013, our facility has had to adapt to many changes when ordering necessary medical equipment for our patients. Most significant of these, are the delays when ordering equipment from Medicare DMEPOS contracted medical suppliers. While rarely our facility has delayed discharge for a patient needing medical equipment, we instead loan our own equipment out in the hopes that it will be returned once the order for requested equipment is completed.

Not only has this placed undue liability on our facility for providing interim equipment, especially since we are not DME providers; the Program's implementation has required considerable staff hours as well. As an example that is not atypical of delayed DME orders, repeated phone calls to DME vendor have been necessary to verify and track status of orders (30+ minutes); notifications to clinical staff and maintenance to prepare and log equipment for discharge; phone calls with patient and/or family to update and clarify equipment arrangements (20+ minutes); reacquisition of facility's equipment once order is completed (+- one hour), and additional staff time as well for other miscellaneous

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communication and/or follow up required. In cases that we have been unable to provide equipment necessary to a patient's safe return to the community, tremendous follow-up has been required to obtain specialized equipment timely (hospital beds for example); and/or patients have chosen to purchase necessary medical equipment out of their own pocket which is due to them under Medicare benefit guidelines, in order to return home.

Unfortunately, delivery delay is not the only challenge we have faced with implementation of Medicare's Round 2 DMEPOS Competitive Bidding Program. One example that occurred shortly after implementation represents the challenges faced when dealing with alternate vendors outside of the State of Hawaii. At the particular time a recommendation was made for a patient's Front Wheeled Walker, only four vendors located in Hawaii, according to the Medicare.gov supplier website, were contracted to deliver walkers; and only 10 vendors were contracted to provide walkers in total. Of the four local vendors, only two were able to deliver to the patient. Of these two, one was experiencing a significant backlog on orders, and the other was out of stock. In calling vendors on the U.S. mainland, one vendor was unaware that they provided equipment to the State of Hawaii, several were unable to deliver, some were able to deliver but estimated lengthy wait times of greater than two weeks, and another subcontracted through the same contracted vendor on the island that was out of stock. While this is an extreme example, this is not entirely atypical when ordering from vendors that have a presence outside the State of Hawaii and I would like to note that this situation occurred with equipment that is not overly complex or specialized.

To summarize, since the introduction of the Round 2 Medicare DME Competitive Bidding Program in Hawaii, our nursing facility has encountered increased challenges when ordering necessary medical equipment for our patients. Only a select few vendors have won the Medicare bids in each category which has significantly limited ordering and delivering equipment in a timely manner for our patients. Moreover, some contracted vendors outside of Hawaii have subcontracted through the very same local contracted vendors on Hawaii for the same equipment, have offered unacceptable delivery options, or have even been unaware of their contracted bid in Hawaii. We have also been forced to act as an interim DME supplier in order to safely discharge our patients back to the community.

In conclusion, the Program's implementation has made it exceedingly difficult to provide medical equipment in an effective and timely manner to Medicare patients to ensure a safe discharge; has offloaded Medicare's proposed saved costs to medical providers and their patients and in my opinion, has created a market that discourages quality and competition among medical suppliers for the State of Hawaii. Patient turnover continues to increase, and it is important to ensure a process that facilitates a smooth and safe patient transition, in order to minimize the impact on Hawaii's healthcare system and to better care for our seniors.

Thank you for the opportunity to testify in support of SB307 SD2.

Respectfully,

Patrick Manston Harrison
Department of Social Services
Aloha Nursing Rehab Centre

ALOHA NURSING REHAB CENTRE
45-545 Kamehameha Hwy • Kaneohe, HI 96744
Phone 808-247-2220 • Fax 808-235-3676
www.alohanursing.com

Figure 1.

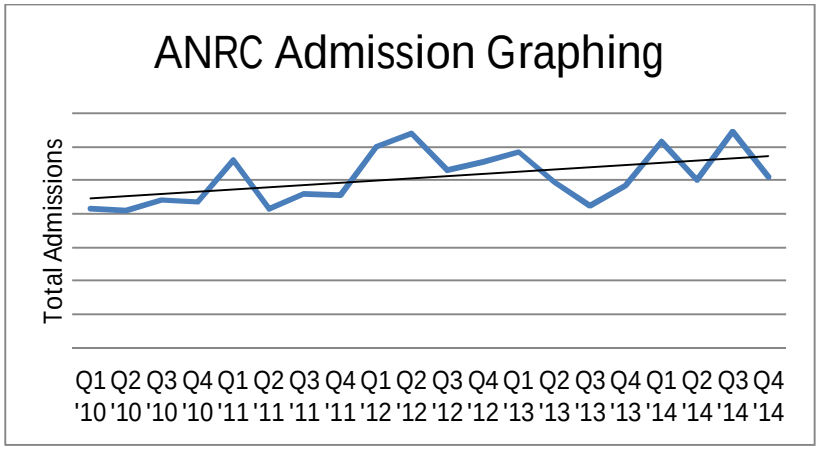


Figure 2.

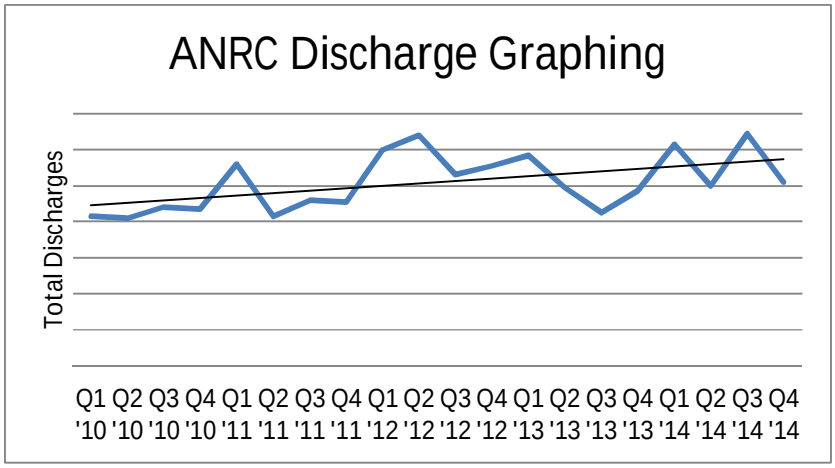
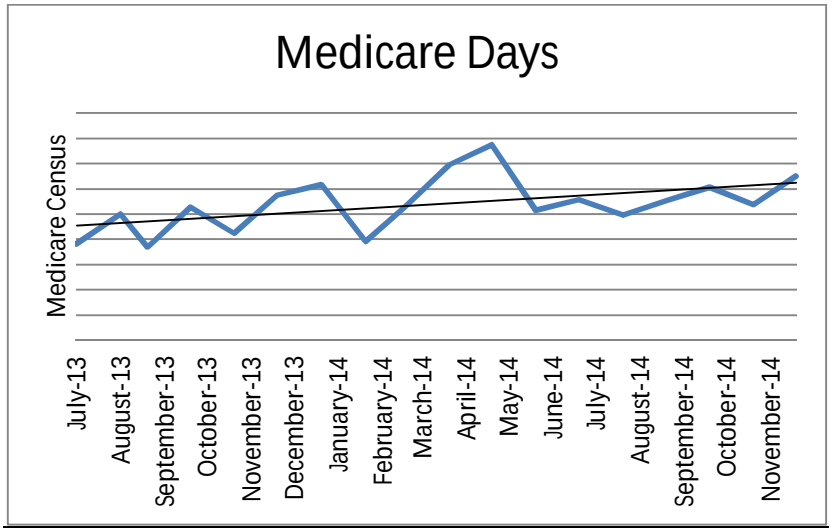


Figure 3.



HPCA
HAWAI'I PRIMARY CARE ASSOCIATION

House Committee on Health
The Hon. Della Au Belatti, Chair
The Hon. Richard P. Creagan, Vice-Chair

House Committee on Human Services
The Hon. Dee Morikawa, Chair
The Hon. Bertrand Kobayashi, Vice-Chair

Testimony on Senate Bill 307 SD 2

Relating to Health

Submitted by Nani Medeiros, Public Affairs and Policy Director

March 18, 2015, 8:30 am, Room 329

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 307, establishing licensure requirements for durable medical equipment suppliers.

In Hawaii there is an extreme dearth of access to durable medical equipment. This shortage often times leads to the foregoing of necessary devices, resulting in reductions in health, increases in preventable admissions, and increases in costs to patients and the system as a whole. This bill hopes to alleviate that by providing a system of annual inspection that will make participation in the national program easier for local providers.

For this reason we support Senate Bill 307 and thank you for the opportunity to testify.

ADD 735 BISHOP STREET, SUITE 230 HONOLULU, HI 96813 TEL 808.536.8442 FAX 808.524.0347 WEB WWW.HAWAIIPCA.NET