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# A BILL FOR AN ACT

RELATING TO THE NURSING FACILITY SUSTAINABILITY PROGRAM.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the nursing facility  
2 sustainability program was established in 2012 and has served a  
3 critical role in strengthening the long-term care system in  
4 Hawaii. In the nine years since its inception, the nursing  
5 facility sustainability program has helped long-term care  
6 facilities treat the most vulnerable patients in the State,  
7 especially low-income individuals who require these services.  
8 The program has been carried out via a public-private  
9 partnership to ensure that patients in Hawaii can access  
10 quality, affordable care.

11           The legislature further finds that, even with this program,  
12 nursing facilities in the State face major challenges. These  
13 challenges are due in part to the health and financial pressures  
14 related to the COVID-19 pandemic. Medicaid is jointly financed  
15 by the federal and state governments by statutory formula; the  
16 federal government pays between fifty per cent and seventy-four  
17 per cent, with assistance levels determined by each state's per



1 capita income. States with the lowest per capita income receive  
2 higher federal matching rates. Under federal rules, the state  
3 share must be public funds that are not federal funds. The  
4 legislature notes that public funding to help sustain Hawaii's  
5 nursing facilities financially may be accessed through a  
6 provider fee.

7 The legislature also finds that provider fees exist in  
8 forty-nine states and the District of Columbia as a means of  
9 drawing down federal funds to sustain their medicaid programs  
10 due rising state budget deficits, increasing health care costs,  
11 and expanding medicaid enrollment. Provider fees, which are  
12 collected from specific categories of health care providers, may  
13 be imposed on different classes of health care services,  
14 including inpatient and outpatient hospital and nursing facility  
15 services.

16 The legislature therefore finds that, in Hawaii, a provider  
17 fee on nursing facilities can result in a substantial increase  
18 in medicaid payments, without putting additional constraints on  
19 the State's budget. The additional federal funds obtained via  
20 the fee program authorized by the nursing facility  
21 sustainability program can maintain access to care for medicaid



1 recipients, which will allow nursing facilities in the State to  
2 continue to serve under-insured or uninsured patients in a  
3 timely, effective matter and help ensure the overall  
4 sustainability of the health care system in the State during the  
5 challenging time of the COVID-19 pandemic.

6 The purpose of this Act is to preserve access to health  
7 care for medicaid recipients by extending the nursing facility  
8 sustainability fee program.

9 SECTION 2. Section 346F-4, Hawaii Revised Statutes, is  
10 amended by amending subsection (c) to read as follows:

11 "(c) Revenue from the nursing facility sustainability fee  
12 shall be used exclusively as follows:

13 (1) No less than eighty-eight per cent of the revenue from  
14 the nursing facility sustainability fee shall be used  
15 for one or more of the following:

16 (A) To match federal medicaid funds, with the  
17 combined total to be used to enhance capitated  
18 rates to medicaid managed care health plans for  
19 the purpose of increasing medicaid payments to  
20 private nursing facilities to support the  
21 availability of services and ensure access to



- 1 care for the medicaid managed care health plan
- 2 enrollees; or
- 3 (B) To match federal medicaid funds, with the
- 4 combined total to enhance capitated rates for the
- 5 purpose of paying quality incentives;
- 6 (2) Twelve per cent of the revenue from the nursing
- 7 facility sustainability fee may be used by the
- 8 department for other departmental purposes; and
- 9 (3) All moneys remaining in the special fund on [~~December~~
- 10 ~~30, 2021,~~] June 30, 2024, shall be distributed to
- 11 nursing facilities within thirty days in the same
- 12 proportions as received from the nursing facilities."

13 SECTION 3. Section 346F-5, Hawaii Revised Statutes, is  
 14 amended by amending subsection (c) to read as follows:

15 "(c) The nursing facility sustainability fee shall not  
 16 exceed 5.5 per cent of overall net patient service revenue and  
 17 shall be calculated and paid on a per resident day basis, unless  
 18 the facility qualifies for an exemption identified in subsection  
 19 (d) (1). The [~~per resident daily fee shall not exceed \$20.00 for~~  
 20 ~~each affected facility, except for~~] facilities described in  
 21 subsection (d) (2) [~~, which instead~~] shall pay a [~~per resident~~]



1 reduced daily fee [~~not to exceed \$9.00.~~] compared to other  
2 facilities participating in the program."

3 SECTION 4. Section 346F-6, Hawaii Revised Statutes, is  
4 amended by amending subsection (c) to read as follows:

5 "(c) The department shall collect and each nursing  
6 facility shall pay in twelve equal installments the nursing  
7 facility sustainability fee in section 346F-5 on a monthly  
8 basis, subject to the terms of this section. The fee shall be  
9 due within [~~thirty~~] sixty days after the end of each month, with  
10 the initial payment due on the later of July 31, 2012, or forty-  
11 five days after the required federal approvals for the  
12 assessment and any increase in health plan capitation payments  
13 have been secured from the Centers for Medicare and Medicaid  
14 Services."

15 SECTION 5. Section 346F-10, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 "**§346F-10 Enhanced rates to medicaid managed care health**  
18 **plans.** In accordance with title 42 Code of Federal Regulations  
19 part 438, the department shall use revenues from the nursing  
20 facility sustainability fee and federal matching funds to  
21 enhance the capitated rates paid to medicaid managed care health



1 plans for [~~state fiscal years 2019-2020 and 2020-2021,~~] the  
2 period of July 1 through December 31, 2021, and calendar years  
3 2022 and 2023, consistent with the following objectives:

4 (1) The rate enhancement shall be used exclusively for  
5 increasing reimbursements to private nursing  
6 facilities to support the availability of services and  
7 to ensure access to care to the medicaid managed care  
8 health plan enrollees;

9 (2) The rate enhancement shall be made part of the monthly  
10 capitated rates by the department to medicaid managed  
11 care health plans, which shall provide documentation  
12 to the department and the nursing facility trade  
13 association located in Hawaii certifying that the  
14 revenues received under paragraph (1) are used in  
15 accordance with this section;

16 (3) The rate enhancement shall be actuarially sound and  
17 approved by the federal government for federal fund  
18 participation;

19 (4) The department shall modify the fee-for-service  
20 reimbursement rates of the nursing facilities to  
21 recognize the medicaid portion of the nursing facility



1 sustainability fee as an additional cost of serving  
 2 medicaid patients, and to provide a uniform percentage  
 3 increase in preexisting facility-specific rates; and  
 4 (5) Payments made by the medicaid managed care health  
 5 plans shall be made within thirty calendar days upon  
 6 receipt of monthly capitation rates from the  
 7 department."

8 SECTION 6. Section 346F-13, Hawaii Revised Statutes, is  
 9 amended by amending subsection (a) to read as follows:

10 "(a) Collection of the nursing facility sustainability fee  
 11 under section 346F-5 shall be discontinued if:

- 12 (1) The waiver in section 346F-7 or the enhanced  
 13 capitation rates in section 346F-10 have not been  
 14 approved by the Centers for Medicare and Medicaid  
 15 Services;
- 16 (2) The department reduces funding for nursing facility  
 17 services below the state appropriation in effect on  
 18 June 30, [~~2020~~] 2021;
- 19 (3) The department or any other state agency uses the  
 20 money in the special fund for any use other than the  
 21 uses permitted pursuant to this chapter; or



1 (4) Federal financial participation to match the nursing  
 2 facility sustainability fee becomes unavailable under  
 3 federal law. In such case, the department shall  
 4 terminate the collection of the fee beginning on the  
 5 effective date of the federal statutory, regulatory,  
 6 or interpretive change."

7 SECTION 7. Act 156, Session Laws of Hawaii 2012, as  
 8 amended by section 3 of Act 142, Session Laws of Hawaii 2013, as  
 9 amended by section 2 of Act 124, Session Laws of Hawaii 2014, as  
 10 amended by section 2 of Act 69, Session Laws of Hawaii 2015, as  
 11 amended by section 2 of Act 59, Session Laws of Hawaii 2016, as  
 12 amended by section 5 of Act 60, Session Laws of Hawaii 2017, as  
 13 amended by section 6 of Act 163, Session Laws of Hawaii 2019, is  
 14 amended by amending section 5 to read as follows:

15 "SECTION 5. This Act shall take effect on July 1, 2012,  
 16 and shall be repealed on [~~June 30, 2021.~~] December 31, 2023;  
 17 provided that section -4, Hawaii Revised Statutes,  
 18 established by section 2 of this Act, and the amendment made to  
 19 section 36-30(a), Hawaii Revised Statutes, in section 3 of this  
 20 Act, shall be repealed on [~~December 31, 2021.~~] June 30, 2024."



1 SECTION 8. Act 124, Session Laws of Hawaii 2014, as  
 2 amended by Act 69, Session Laws of Hawaii 2015, as amended by  
 3 Act 59, Session Laws of Hawaii 2016, as amended by section 6 of  
 4 Act 60, Session Laws of Hawaii 2017, as amended by section 7 of  
 5 Act 163, Session Laws of Hawaii 2019, is amended by amending  
 6 section 7 to read as follows:

7 "SECTION 7. This Act shall take effect on June 29, 2014;  
 8 provided that:

- 9 (1) Section 5 shall take effect on July 1, 2014; and
- 10 (2) The amendments made to [~~section~~] sections 36-27(a) and  
 11 36-30(a), Hawaii Revised Statutes, in section 3 and 4  
 12 of this Act shall be repealed on [~~December 31, 2021.~~]  
 13 June 30, 2024."

14 SECTION 9. There is appropriated out of the nursing  
 15 facility sustainability program special fund the sum of  
 16 \$ or so much thereof as may be necessary for fiscal  
 17 year 2021-2022 and the same sum or so much thereof as may be  
 18 necessary for fiscal year 2022-2023 for uses consistent with  
 19 section 346F-4, Hawaii Revised Statutes.

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



1 SECTION 10. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 11. This Act shall take effect on July 1, 2060;  
4 provided that section 9 shall take effect on July 1, 2021.



**Report Title:**

Nursing Facility Sustainability Program; Special Fund;  
Department of Human Services; Appropriation

**Description:**

Extends the nursing facility sustainability program to 2024. Allows the nursing facility sustainability fee to be used to enhance capitated rates for the purpose of paying quality incentives. Allows nursing facilities sixty days to pay the nursing facility sustainability fee. Specifies that the nursing facility sustainability fee limit is 5.5 per cent of overall net patient service revenue. Removes the per resident daily maximum fee of \$20 for each facility. Specifies facilities that meet certain exceptions shall pay a reduced daily fee in comparison to other participating facilities. Appropriates funds. Effective 7/1/2060. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

