

JAN 19 2024

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# A BILL FOR AN ACT

RELATING TO MEDICAID.

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

1           SECTION 1. The legislature finds that strengthening long-  
2 term care services and supports is of broad interest nationally  
3 and in the State. Recently, a Council of State Governments task  
4 force on effective and sustainable long-term care included a  
5 work group focused on sustainable funding. The department of  
6 human services med-QUEST division co-led the group, which  
7 authored a short briefing paper with national, state, and local  
8 recommendations. One of the recommendations included a rate  
9 study for home- and community-based services.

10           The legislature further finds that the department of human  
11 services med-QUEST division completed a study of home- and  
12 community-based rates paid for community care foster family  
13 homes, expanded adult residential care homes, and adult day  
14 health and adult day care centers and other community-based  
15 services. The department of human services med-QUEST division  
16 contracted Milliman, an actuarial firm, for a wide range of  
17 services and to conduct the study. The study commenced in July



1 2022, and the department of human services med-QUEST division  
2 issued the final report on December 30, 2022.

3 The legislature also finds that a key part of the rate  
4 study included stakeholder outreach and engagement with home-  
5 and community-based services providers and their associations,  
6 collecting provider cost and wage survey data, and getting  
7 provider feedback on draft rate calculations. Not surprisingly,  
8 the provider surveys showed significant wage pressure given the  
9 current labor market. The rate study methodology used wage and  
10 salary data for direct care staff and supervisors, employee-  
11 related expenses, transportation and administration, program  
12 support, overhead, and United States Bureau of Labor Statistics  
13 and industry wage indices to pay for employee benefits such as  
14 health insurance.

15 The legislature believes that the pandemic dramatically  
16 impacted health care and long-term care delivery systems. Many  
17 of these changes, particularly as they relate to patient  
18 preferences, facility staffing practices, and technology  
19 utilization, will persist long after the pandemic abates.  
20 Accordingly, now is an opportune time to revisit prior thinking  
21 about long-term care reimbursement and investigate ways that it



1 can be reimagined to promote patient care quality, support  
2 livable wages for staff, and maximize efficiency.

3       The legislature further finds that the department of human  
4 services med-QUEST division should undertake rate studies to  
5 better understand how the pandemic has shaped long-term care  
6 providers. These studies should consider how patient  
7 preferences have shifted away from institutional settings to  
8 home- and community-based settings; how patient needs evolve  
9 with the aging population; the growing complexity of patient  
10 care; and what can be done to align reimbursement with long-term  
11 trends in the State. Specific attention is also necessary on  
12 programs that reward high-quality care; incentivize accepting  
13 and caring for medicaid beneficiaries, especially those with  
14 complex needs; pay wages necessary for the recruitment and  
15 retention of staff across the long-term care continuum; and  
16 consider the need to update the aging physical infrastructure of  
17 many of the State's facilities.

18       The legislature also finds that it is important to focus on  
19 home- and community-based services providers who serve groups  
20 with high utilization of services and who have gone the longest  
21 without a rate update, such as case management agencies,



1 community care foster family homes, adult residential care  
2 homes, expanded adult residential care homes, and adult day  
3 health and adult day care centers. The Centers for Medicare and  
4 Medicaid Services is also changing payment methods for nursing  
5 facilities. State medicaid agencies will need to adopt new  
6 reimbursement methodologies that align with the new federal  
7 payment system. These new systems create opportunities to  
8 revise how providers of long-term care are reimbursed to better  
9 meet current and future needs.

10 Accordingly, the purpose of this Act is to appropriate  
11 funds for the achievement of full funding, including estimated  
12 payment increases, of medicaid home- and community-based  
13 services.

14 SECTION 2. There is appropriated out of the general  
15 revenues of the State of Hawaii the sum of \$ or so  
16 much thereof as may be necessary for fiscal year 2024-2025 for  
17 the achievement of full funding, including estimated payment  
18 increases, of medicaid home- and community-based services;  
19 provided that the department of human services shall obtain the  
20 maximum federal matching funds available for this expenditure;  
21 provided further that the department of human services shall



1 pursue all funding sources known to the State, including private  
2 grants, prior to expending any general revenues appropriated  
3 pursuant to this Act.

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

6 SECTION 3. In accordance with section 9 of article VII of  
7 the Hawaii State Constitution and sections 37-91 and 37-93,  
8 Hawaii Revised Statutes, the legislature has determined that the  
9 appropriations contained in Act 164, Regular Session of 2023,  
10 and this Act will cause the state general fund expenditure  
11 ceiling for fiscal year 2024-2025 to be exceeded by  
12 \$ or per cent. This current declaration takes  
13 into account general fund appropriations authorized for fiscal  
14 year 2024-2025 in Act 164, Regular Session of 2023, and this Act  
15 only. The reasons for exceeding the general fund expenditure  
16 ceiling are that:

- 17 (1) The appropriation made in this Act is necessary to  
18 serve the public interest; and
- 19 (2) The appropriation made in this Act meets the needs  
20 addressed by this Act.

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1 SECTION 4. This Act shall take effect on July 1, 2024.

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INTRODUCED BY:

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# S.B. NO. 2788

**Report Title:**

DHS; Medicaid; Long-Term Care Services; Home- and Community-Based Services; Rates; Appropriation

**Description:**

Appropriates funds to the Department of Human Services to achieve the full funding, including estimated payment increases, of Medicaid home- and community-based services.

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