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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, in a 2021  
2 quantitative research study, the AARP found that, among Hawaii  
3 residents aged forty-five and older, seventy-five per cent of  
4 the respondents reported that having affordable long-term care  
5 options in their communities was an important independent living  
6 issue. Respondents also reported that maintaining a connection  
7 with family and friends and the ability to continue visiting  
8 familiar health care providers are significantly easier when the  
9 State's kupuna can be cared for closer to home. The legislature  
10 recognizes that, in 2026, a strong demand for community-based  
11 care options for kupuna still exists.

12           The legislature further finds that the latest review of the  
13 State's home and community-based medicaid reimbursement rates  
14 for residential services was a third-party study conducted by  
15 the actuarial firm Milliman, published on December 30, 2022.  
16 The study developed benchmark comparison rates for certain home  
17 and community-based services, including residential services



1 provided in community care foster family homes and expanded  
2 adult residential care homes. Notably, amongst all provider  
3 types examined in the Milliman study, the current median direct  
4 care wages paid to home and community-based services providers  
5 fell below the twenty-fifth percentile for those occupation  
6 codes and titles as determined by the United States Bureau of  
7 Labor Statistics.

8 The legislature also finds that, in 2024, a recurring  
9 budget appropriation for residential settings rates was enacted.  
10 The appropriation was passed as a budget line-item reflecting an  
11 annual state share increase of \$5,750,000 for select home and  
12 community-based services. This increase was inclusive of  
13 residential services for community care foster family homes and  
14 expanded adult residential care homes, effective in 2025 and  
15 beyond, and reflected the "low" rate scenario for the  
16 residential services included in Milliman's 2022 rate study.

17 The legislature acknowledges that, while meaningful, the  
18 2024 appropriation was inadequate. Service providers remain  
19 unable to offer benefits, including health insurance, to their  
20 employees and continue to rely on substitute caregivers,  
21 sometimes unpaid, including family members and friends of the



1 providers. Additionally, high inflation has persisted, further  
2 increasing costs for operators providing residential services in  
3 community care foster family homes and expanded adult  
4 residential care homes. The result of these ongoing financial  
5 pressures is that few providers are able to operate sustainably,  
6 leading to limited community-based care options for Hawaii's  
7 kupuna.

8 Accordingly, the purpose of this Act is to:

- 9 (1) Appropriate moneys to increase the funding of  
10 residential services offered in community care foster  
11 family homes and expanded adult residential care homes  
12 to the "medium" rate scenario published in Milliman's  
13 2022 rate study; and
- 14 (2) Require the department of human services to obtain the  
15 maximum federal matching funds available for the  
16 increased expenditure, which will result in a larger  
17 impact on reimbursements paid to service providers.

18 SECTION 2. There is appropriated out of the general  
19 revenues of the State of Hawaii the sum of \$                    or so much  
20 thereof as may be necessary for fiscal year 2026-2027 to  
21 increase funding for certain medicaid home- and community-based



1 services, including residential services offered in community  
2 care foster family homes and expanded adult residential care  
3 homes; provided that no sum shall be expended unless the  
4 department of human services:

5 (1) Obtains the maximum federal matching funds available  
6 for this appropriation; and

7 (2) Exhaustively pursues all funding sources identified by  
8 the State, including private grants.

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

11 SECTION 3. This Act shall take effect on July 1, 2050.



**Report Title:**

DHS; Medicaid; Med-QUEST; Home- and Community-Based Services; Residential Services; Community Care Foster Family Homes; Expanded Adult Residential Care Homes; Federal Matching Funds; Appropriation

**Description:**

Appropriates moneys to the Department of Human Services to increase funding for certain Medicaid home- and community-based services, including residential services offered in community care foster family homes and expanded adult residential care homes. Requires the Department to obtain matching federal funds and to pursue additional funding sources. Effective 7/1/2050. (SD1)

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