

# SB3258

**Measure Title:**

RELATING TO MEDICAID HOSPITAL AND LONG TERM CARE  
REIMBURSEMENTS.

**Report Title:**

Medicaid Hospital and Long Term Care Reimbursements; Appropriations

**Description:**

Establishes reimbursement guidelines and provides appropriations for medicaid hospital  
and long term care reimbursements. (SD1)

**Introducer(s):**

HOOSER

**Current Referral:**

HSP/HTH, WAM



February 13, 2008

To: Chairs Suzanne Chun Oakland and David Ige and Members of the Senate Committees on Human Services & Public Housing and Health  
From: Bob Ogawa, President  
Hawaii Long Term Care Association  
Re: S.B. 3258, SD1  
Relating to Medicaid Hospital and Long Term Care Reimbursements

The Hawaii Long Term Care Association (HLTCA) supports S.B. 3258, SD1 as a preliminary step toward addressing Hawaii's current hospital waitlist problem.

We do have some a comment, though:

While we fully understand, sympathize with and wish to find a remedy for the financial "bleeding" waitlisted patients cause our hospitals, we (HLTCA) must be cautious of the possibility that the acute-bed reimbursement proposed in this measure does not become some foot-in-the-door erosion of the basic premise of what is commonly know as Act 294, the Medicaid Reimbursement Equity Act of 1998. Act 294 states:

". . . there shall be no distinction between hospital-based and nonhospital-based reimbursement rates for institutionalized long term care under medicaid. Reimbursement for institutionalized intermediate facilities and institutionalized skilled nursing facilities shall be based solely on the level of care rather than the location."

We understand that the bill speaks to long term care patients in acute-licensed, not ICF/SNF-licensed beds, but vigilance in this matter is a responsibility we owe to the long term care provider community.

That said, however, we must move forward and begin to explore all avenues open to us in resolving the waitlist problem. This measure is a good beginning, and we urge its passage.

**TO :** COMMITTEE ON HEALTH  
Senator David Y. Ige, Chair  
Senastor Carol Fukunaga, Vice Chair

COMMITTEE ON HUMAN SERVICES AND PUBLIC HOUSING  
Senator Suzanne Chun Oakland, Chair  
Senator Les Ihara , Vice Chair

**FROM:** Eldon L. Wegner, Ph.D.  
Member, Oahu Regional Board, Hawaii Health System Corp.

**SUBJECT:** **SB 3258 SD 1 Relating to Medicaid Hospital and Long-Term Care Reimbursements**

**HEARING:** 1:25 pm Wednesday, February 13, 2008  
Conference Room 016, Hawaii State Capitol

**PURPOSE:** Establishes reimbursement guidelines to reimburse hospital at the full cost of care for wait-listed patients and full cost of care at long-term care facilities.

**POSITION:** I strongly **SUPPORT** this bill.

**RATIONALE:**

Inadequate Medicaid reimbursement plays a major role in creating a financial crisis for our hospitals, especially for those served by the Hawaii Health Care Corp which have a percentage of Medicaid patients.

The large number of wait-listed patients in our hospitals results from inadequate long-term care services and beds, reflecting in part low reimbursement from Medicaid. We need to provide higher reimbursement as an incentive for more services and beds and to enable care for medically complex cases which are very difficult to place under current conditions.

This bill proposes to provide reimbursements to cover the actual costs of patient care in both the hospital and in long-term care facilities. By doing so, it will reduce the necessity for cost-shifting the care of Medicaid patients onto other patients, which is unfair and also no longer financially viable.

Health care for all residents of Hawaii will be improved by the passage of this bill.

Thank you for allowing me to testify.



## HAWAII DISABILITY RIGHTS CENTER

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### TESTIMONY TO THE TWENTY-FOURTH STATE LEGISLATURE, 2008 SESSION

**To:** Senate Committee on Human Services and Public Housing  
Senate Committee on Health:

**From:** Gary L. Smith, President  
Hawaii Disability Rights Center

**Re:** Senate Bill 3258, SD1

**Hearing:** Wednesday, February 13, 2008 1:25 PM  
Conference Room 016, State Capitol

Members of the Committee on Human Services and Public Housing:  
Members of the Committee on Health:

Thank you for the opportunity to provide testimony supporting Senate Bill 3258, SD1.

I am Gary L. Smith, President of the Hawaii Disability Rights Center, formerly known as the Protection and Advocacy Agency of Hawaii (P&A). As you may know, we are the agency mandated by federal law and designated by Executive Order to protect and advocate for the human, civil and legal rights of Hawaii's estimated 180,000 people with disabilities.

We support this bill because it offers good potential to secure the placement of individuals in community settings. The legislature has seen many examples in the past year or two of the long waitlist for community housing experienced by patients in acute facilities. In addition, a briefing was recently provided by the Healthcare Association on the problems of placing "challenging" patients into community settings. One of the barriers identified has been the low cost of Medicaid reimbursement for these individuals. At the same time, Medicaid payments are made to facilities far in excess of what might otherwise be paid to these home and community based settings. Providing the Department of Human Services with the ability to pay for patient care in a long term care facility based on the actual cost as opposed to an artificially low Medicaid payment schedule should greatly help to facilitate the community placement of such individuals. We need to accept the fact that until the rates for community placements are realistic in terms of the demands required for the care of the more medically complex patients, this problem will never be solved.



Regarding the payment to hospitals of long term care based reimbursement rates, we are certainly sympathetic to the economic plight faced by the hospitals who are not receiving adequate reimbursement for these patients who really do not need to even be in the hospital after a point. They are often torn between the financial realities they face and the general ethic they do possess which directs them to want to treat and care for these individuals. Any assistance the legislature can render will not only help these facilities; it will also make it more likely that these patients will continue to receive adequate care while they are developing an appropriate community placement discharge plan.

Thank you for the opportunity to provide testimony in support of this bill.



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 13, 2008

MEMORANDUM

TO: Honorable Suzanne Chun Oakland, Chair  
Senate Committee on Human Services and Public Housing  
  
Honorable David Y. Ige, Chair  
Senate Committee on Health

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 3258, S.D.1 - RELATING TO MEDICAID HOSPITAL  
AND LONG TERM CARE REIMBURSEMENTS**  
Hearing: Wednesday, February 13, 2008 1:25 p.m.  
Conference Room 016, State Capitol

PURPOSE: The purpose of this bill is to establish reimbursement guidelines and provides appropriations for Medicaid hospital and long term care reimbursements.

DEPARTMENT'S POSITION: The Department of Human Services is opposed to this bill for the following reasons:

1) The Department strongly objects to paying acute care rates to hospitals for patients waitlisted for bed space at a non-hospital based long-term care facility.

This bill is contrary to the methodology currently used to establish these rates. There is clear distinction in the level of routine care between acute services and long-term care services. The difference in these rates is meant to account for this distinction in level of care. The routine acute rate is meant to reimburse for services, equipment usage and supplies that are not necessary as part of the care of a waitlisted or long-term care beneficiary. It is not appropriate for an acute care facility to be reimbursed an acute rate for services it did not provide.

This rate difference would put non-hospital long-term care facilities at a distinct disadvantage for reimbursement of similar services. This inequity could provide

incentive for long-term care facilities to demand the same acute care rate an acute care facility would receive for nursing facility level of care services causing an unnecessary and unintended escalation of reimbursement at an extraordinary burden to the State.

This bill also undermines the progress that has been made to achieve equitable reimbursements based on acuity of care for nursing home level of care at hospitals and non-hospital based long-term care facilities. This equitable reimbursement was mandated by Act 294, SLH 1998, which was codified as chapter 346D-1.5, Hawaii Revised Statutes. The Department does not support the reversal of Act 294 inherent in H.B. 2170, H.D. 1.

The lack of distinguishable reimbursement between acute care and waitlisted rates would also put those facilities that are not experiencing full occupancy at a distinct disadvantage for reimbursement of dissimilar services. Those facilities that are not in the position to “turn away” an acute care patient would be receiving the same reimbursement for providing more services to an acute patient than another facility that is providing less service to a waitlisted patient. This inequity could provide incentive for acute care facilities to demand an increasingly higher acute rate when providing care above that of waitlisted services causing an unnecessary and unintended escalation of reimbursement at an extraordinary burden to the State.

Importantly, an acute care facility that is reimbursed the acute care rate for a waitlisted patient does not have the same level of urgency to assist in transitioning the waitlisted patient to the appropriate facility. This could cause a waitlisted patient’s length of stay at an acute care facility to be extended, thus increasing the length of time the patient would suffer from, as this bill indicates, “a diminished quality of life.”

2) The Department also objects to this bill's proposal to provide cost reimbursements to non-hospital based long-term care facilities for services provided to patients with "medically complex" conditions who, prior to admission to the long-term care facility, were receiving acute care services in an acute care hospital.

This bill would authorize that long-term care facilities be reimbursed the actual cost of providing care to “medically complex” beneficiaries that have been transitioned from an acute care facility.

This bill does not clearly define who would be classified as "medically complex". This language could include almost all long-term care patients. While it is clear that this

interpretation is not the intent of this bill, further clarification would be required to prevent abuse of this reimbursement methodology.

A sub-acute level of care reimbursement rate methodology is already in place at a number of Hawaii's long-term care facilities. This rate is meant to reimburse for the services provided to those patients who may fall into the bill's definition of "medically complex." This sub-acute rate is significantly higher than the average long-term care rate. Any patients who do not meet this level of care are accounted for in the computation of the acuity based rate of each long-term care facility.

As authorized by this bill, reimbursement would be based on the "actual costs" of services to the medically complex. Cost-based reimbursement is only applied as a reimbursement strategy in Hawaii when specifically indicated as a requirement to receive Federal financial participation from the Centers for Medicare and Medicaid Services (CMS). This has become a typical practice of the vast majority of Medicaid programs around the country. The trend away from cost-based reimbursement was, among other purposes, intended to encourage providers to be increasingly cost-conscious and avoid inflationary business practices. The Department would strongly advise against any cost-based reimbursement strategy.

(3) The Department also submits that this bill's proposal is unnecessary with respect to the long term care facilities receiving Medicaid payments that are at least equal to the rates in effect immediately prior to the implementation of Quest Expanded.

The QUEST Expanded Access (QExA) program, which is slated for implementation on November 1, 2008, already addresses reimbursement rates for nursing facilities in Hawaii. In the contract between the QExA health plans and the Department of Human Services, the following is described for reimbursement for nursing facilities:

"The health plan shall reimburse nursing facilities utilizing an acuity-based system in accordance with HRS § 346-D-1.5. The health plan shall reimburse nursing facilities the rates as of July 1, 2008 in accordance with HRS § 346-D-1.5." HRS § 346-D-1.5 is Act 294 which was enacted into law in the 1998 Legislative session.

Thank you for this opportunity to testify.