



LATE TESTIMONY

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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March 12, 2008

MEMORANDUM

TO: Honorable Josh Green, M.D., Chair
House Committee on Health

Honorable Maile S.L. Shimabukuro, Chair
House committee on Human Services and Housing

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 3258, S.D. 3 - RELATING TO MEDICAID HOSPITAL
AND LONG TERM CARE REIMBURSEMENTS**
Hearing: Wednesday; March 12, 2008 8:00 a.m.
Conference Room 329, 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) This bill undermines the progress that has been made to achieve equitable reimbursements based on acuity of care, rather than the facility where the care is provided, for nursing home level of care at hospitals and non-hospital based long-term care facilities that was mandated by Act 294, SLH 1998, and codified as chapter 346D-1.5, Hawaii Revised Statutes (HRS). The Department does not support the reversal of Act 294 as this bill proposes to do.

"§346D-1.5 Medicaid reimbursement equity. Not later than July 1, 2008, there shall be no distinction between hospital-based and nonhospital-based reimbursement rates for institutionalized long-term care under medicaid. Reimbursement for institutionalized intermediate care facilities and institutionalized skilled nursing facilities shall be based

solely on the level of care rather than the location. This section shall not apply to critical access hospitals."

2) The Department also strongly objects to paying acute care rates to hospitals for patients who are certified long-term care. What this bill proposes is inconsistent with the methodology currently used to establish these rates pursuant to Act 294. 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 client. It is not appropriate for an acute care facility to be reimbursed an acute rate for services it did not provide.

Utilizing the Healthcare Association of Hawaii (HAH) conservative number of 200 waitlisted patients on any given day, the Department calculates that it will cost an additional \$6,722,444 to reimburse the hospitals the acute care rate that this bill would require.

3) 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 that 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" from being institutionalized in a hospital.

4) This bill proposes 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. "Medically complex condition" is defined as "a combination of chronic physical conditions, illnesses, or other medically related factors that significantly impact an individual's health and manner of living and cause reliance upon technological, pharmacological, and other therapeutic interventions to sustain life."

The Department contends that this definition is overly broad and can be applied to any person evaluated as requiring nursing facility level of care. The Department

has conservatively estimated that 30% of the individuals will be deemed "medically complex" at an additional cost of \$23,390,594 per year.

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." 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. This sub-acute rate of \$400 to \$600 per day is already significantly higher than the average long-term care rate of \$215 per day.

5) 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 & Medicaid Services (CMS). This has become the 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 expanding any cost-based reimbursement strategy beyond Federal mandate.

6) 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 Access (QExA) program which is slated for implementation on November 1, 2008. QExA already addresses reimbursement rates for nursing facilities in Hawaii. In the contract language for the QExA health plans, 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."

This is a verbatim quote from RFP-MQD-2008-006 Amendment #4 - #60.

Thank you for this opportunity to testify.