

HB 1567

HD2

EDT/HTH

**TESTIMONY REGARDING HB 1567 HD2
Skilled Nursing Facilities; Enterprise Zone**

March 19, 2009

Honorable Committee Members
Senate Economic Development &
Technology
Senate Health Committee

Date of Hearing: Friday, March 20, 3009

Time: 1:15 pm; Hearing Rm. 016

Dear Committee Members:

This testimony is respectfully being submitted on behalf of Avalon Health Care, Inc. addressing HB 1567 HD2 Skilled Nursing Facilities; Enterprise Zone. The intent of this bill is to provide a needed exemption from the General Excise Tax (GET) for newly constructed or expanded skilled nursing facilities (SNFs). Avalon Health Care provides skilled nursing facility and hospice services in Hawaii.

It is our recommendation that HB 1567 HD2 be replaced with the Senate version of the bill – SB 1266 for the following reasons:

- 1) SB 1266 provides an exemption to the GET for SNFs throughout the state by identifying the Enterprise Zone as the entire state for such facilities. HB 1567 HD2 limits it only to the current Enterprise Zones.
- 2) High land and construction costs limit the reasonableness of developing new facilities or expanded beds, along with limited Medicaid reimbursement and high labor costs. This is an issue for all new SNFs, not just those in currently identified Enterprise Zones.
- 3) There have been identified needs in the state for residents who required SNF beds which are unavailable. The State Health Planning & Development Agency (SHPDA) identifies utilization throughout the state at an average 95-97% occupancy level. Lack of availability of beds requires residents to remain in hospitals unnecessarily and for some to even be transferred to the mainland for needed care. This level of utilization and demand exists throughout the state and not just in currently identified Enterprise Zones.

- 4) Specialty needs in long term care settings have also been identified for nursing home beds for behavioral health / mental health residents. The State Mental Hospital can discharge many residents into a skilled nursing facility setting at a lower cost with additional beds becoming available and specialized care being developed. The Medicaid Managed care programs for the new QExA program for the Aged, Blind and Disabled (OhanaCare and EverCare) have also identified a significant need in this area. Again, this is needed throughout the state. Avalon Health Care has built just such a facility in another state, Salt Lake City, Utah. This model is transferable to the islands except for many of the currently identified barriers.

However, any flexibility to expand beds is restricted by the high costs associated with such a project in the islands. This can at least be reduced by establishing a reasonable exemption to the GET. However, this must occur throughout Hawaii, as beds are needed in Honolulu (for example) as much if not more than in some of the outlying islands.

SB 1266 reflects this need while HB 1567 HD2 does not.

Currently, skilled nursing facilities are not exempt from the general excise tax, even in existing enterprise zones. The fiscal analysis provided for this bill appears to be quite small in comparison to the overall benefit of more effectively providing care for residents in the islands. While it is true that this was not originally in the Governor's budget, waiting for future years to do so will not adequately solve the problem of limited nursing home bed availability today.

Last, constructing new or expanding existing facilities, while eliminating the excise tax throughout the geographic state, would create additional jobs, which the state will gain in tax revenue in positive ways.

We ask the Committee Members to consider replacing HB 1567 HD2 with SB 1266.

Respectfully Submitted,

Faye Lincoln, Vice-President
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