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February 19, 2010

MEMORANDUM

TO: Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2091 – RELATING TO MEDICAID ELIGIBILITY**

Hearing: Friday, February 19, 2010, 10:00 A.M.  
Conference Room 308, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Human Services to provide Medicaid presumptive eligibility to patients who have been waitlisted for long-term care; conduct a study of a computerized Medicaid application system; and to require reports to the Legislature.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill's requirement of presumptive eligibility for Medicaid for patients who have been hospital waitlisted for long-term care.

This bill would require DHS to reimburse providers (hospitals) or the health plans for the charges incurred during the period of presumptive eligibility not only for those patients determined to be eligible for Medicaid reimbursement but also those who are determined ineligible for Medicaid.

Payments for the patients subsequently determined ineligible for Medicaid must be through all State general funds. There will be no federal funds. Federal regulations do not allow federal matching for periods of presumptive eligibility except for pregnant women and children.

This bill would give a huge number of patients, most of whom are not Medicaid eligible, ten days of State-funded care. This major loophole overpays hospitals, at great taxpayers' expense, **at least \$2,000,000 in additional State general funds per year**, creates an enormous drain on State resources, and may subsequently delay regular eligibility determinations of all application types. Even after denial of an application, hospitals could very well reapply on a patient's behalf every ten days to get more State money. This abuse of the provisions of this bill would cost untold millions in additional State general funds.

It should be noted that the Department already provides hospitals more than \$20 million in supplement payments per year.

Given the State's current fiscal difficulties and the \$1.23 billion budget shortfall for this biennium, it would not be prudent to pursue enactment of a substantial new general fund appropriation that will be required for this bill.

**Delays in Medicaid eligibility for long-term care cannot possibly explain the nearly 75% of waitlisted patients who have other than Medicaid insurance.** Based on the data shared by Healthcare Association of Hawaii (HAH), 25% of the waitlisted individuals are receiving Medicaid services, 6% are receiving HMSA services, 55% are covered by Medicare and the remaining 14% are other, probably uninsured.

Section 1 of the bill seems to criticize the Department for doing its due diligence as required by the federal Centers for Medicare & Medicaid Services of ensuring program integrity by careful eligibility determinations. Medicaid eligibility is one step, but determining eligibility for long-term care is far more complex.

The criteria in the bill demonstrate a fundamental lack of understanding of Medicaid long-term care eligibility requirements and would result in a very high number of patients for whom DHS would have to pay providers (hospitals) and health plans for their patients who are not eligible for Medicaid.

The bill also would require the Department to study electronic applications. The Department is currently in the process of developing electronic processing of Medicaid applications, but eligibility determinations for long-term care are more likely to require manual review of items such as trusts and disposition of assets.

Eligibility cannot possibly be determined until the necessary documents are received. Once the documentation is received, the Department quickly makes a determination.

The Department recently restructured the Med-QUEST Division (MQD) operations to ensure applications for long-term care services are processed expeditiously and timely. Effective March 1, 2008, all applications for nursing home assistance on Oahu were assigned to a single processing point, the Kapolei MQD Unit (KMU). KMU initiated a five-day expedited processing procedure for Medicaid applications for hospital waitlisted patients who required long-term care placement.

**A Medicaid eligibility determination for a hospital waitlisted application must be completed within five working days from the date that the necessary documents are provided.** KMU works with Oahu hospitals to identify hospital waitlisted patients to expedite the processing of their applications. According to

KMU, they processed 1,075 applications for nursing home placement from January 2009 to December 2009. Of these applications, 125 were identified by a hospital as an application for a hospital waitlisted patient. KMU processed 26 waitlisted applications (22 were denied) without requesting additional data, 108 applications within five days, and only 17 applications required more than five days.

KMU was recognized as the Department's 2008 Team of the Year for excellence in providing services to Medicaid long-term care recipients and providers.

There is also a fundamental flaw in this bill in the proposed new section to chapter 346, HRS, because it does not identify what type of patient is being waitlisted and for what type of care.

Thank you for this opportunity to provide testimony.

HOUSE COMMITTEE ON FINANCE  
Rep. Marcus Oshiro, Chair

Conference Room 308  
Feb. 19, 2010 at 10:00 a.m. (Agenda #1)

**Supporting HB 2091.**

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of HB 2091, which fast-tracks the transfer of certain patients from acute care hospitals to long term care.

On any given day there are an average of 200 patients in Hawaii's hospitals who have been treated so that they are well enough to be transferred to long term care, but who are waitlisted because long term care is not available. Waitlisting is undesirable because it represents an inappropriate quality of care for the patient and creates a serious financial drain on hospitals. Waitlisted patients also unnecessarily occupy hospital beds that could otherwise be used by those who need acute care. Patients may be waitlisted for a matter of days, weeks, or months, and in some cases over a year.

The waitlist dilemma is unique to Hawaii, largely because Hawaii has one of the lowest ratios of long term care beds for its population in the United States. Whereas the U.S. average is 47 long term care beds per 1000 people over age 65, Hawaii averages 23 (half of the US average). The shortage of long term care beds is the result of high costs of construction and operation, along with low payments for services.

Recognizing the waitlist problem, the Legislature in 2007 adopted SCR 198, which requested the Healthcare Association of Hawaii (HAH) to study the problem and propose solutions. HAH subsequently created a task force for that purpose. The study required information that was not fully available in time for the 2008 session, so an interim report was submitted. Meanwhile, the Legislature adopted HCR 53, which requested HAH to continue to study the waitlist problem.

The task force submitted a final report to the 2009 Legislature. In addition, HAH sponsored SB 417, which contained certain recommendations made in the report as the first step toward solving the waitlist problem. The adoption of these recommendations were designed to:

- (1) Promote the movement of waitlisted patients out of acute care;
- (2) Reduce unpaid costs incurred by hospitals and free up hospital resources so that they can be used to treat those who need that high level of care; and
- (3) Enable long term care facilities to accept waitlisted Medicaid patients with complex medical conditions while addressing the additional costs related to their care.

HAH also sponsored HB 705 and companion bill SB 419, which would have created a Medicaid presumptive eligibility process designed to reduce the length of time taken to transfer patients waitlisted in hospitals to long term care.

Unfortunately, at about this time Hawaii began to feel the impacts of the recession, and the 2009 Legislature was faced with severe shortfalls in State revenues. The financial situation

became so severe that the State was forced to cut back on existing programs. As a result, SB 417 and HB 705 / SB 419 were not passed. The bill being considered today, HB 2091, is a duplicate of HB 705 / SB 419.

Hospitals continue to lose money because of waitlisted patients. A report issued by Ernst & Young in late 2009 reported that Medicaid pays for only 20% to 30% of the actual costs of care for waitlisted patients, representing uncompensated hospital costs of approximately \$72.5 million in 2008.

For the foregoing reasons, the Healthcare Association supports HB 2091.

## **HAWAII DISABILITY RIGHTS CENTER**

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### **THE HOUSE OF REPRESENTATIVES THE TWENTY-FIFTH LEGISLATURE REGULAR SESSION OF 2010**

#### **Committees on Finance Testimony in Support of H .B. 2091 Relating to Medicaid Eligibility**

**Friday, February 19, 2010, 10:00 A.M.  
Conference Room 308**

Chair Oshiro and Members of the Committee:

I am Louis Erteschik, Staff Attorney at the Hawaii Disability Rights Center, and am testifying in support of this bill.

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 several years of the long waitlist for community housing experienced by patients in acute facilities. In addition, briefings have been provided by the Healthcare Association on the problems of placing "challenging" patients into community settings. One of the barriers identified has been the delays in processing Medicaid eligibility for these individuals. We support the provision regarding presumptive eligibility. Delays in processing these applications add to the problems of placing these individuals and are an unnecessary source of difficulty. There is no reason to delay these applications. It is our hope that this provision will help to alleviate the current problem experienced by hospitals as well as their waitlisted patients.

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



## THE QUEEN'S MEDICAL CENTER

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Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair  
COMMITTEE ON FINANCE

Friday, February 19, 2010, 10:00 a.m.  
State Capitol, Conference Room 308

### In Support of HB 2091 - Relating to Medicaid Eligibility

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Christina Donkervoet. I am the Director of Care Coordination and Patient Flow at The Queen's Medical Center, the largest private tertiary care hospital in the State of Hawaii. On behalf of The Queen's Medical Center (QMC), I thank you for this opportunity to testify in support of this bill.

QMC is greatly impacted by the limited community resources available to serve people in need of community-based care. We agree with the Healthcare Association of Hawaii (HAH) that people on the waitlist often have a less-than-optimal quality of life, and their general health may be negatively impacted by a prolonged stay in an acute care hospital. When we treat these non-acute patients in the acute hospital bed, we are less able to respond to our community's needs for acute care services. Too often it happens that QMC Emergency Department goes on divert status because we simply do not have the bed capacity to admit patients needing hospitalization. In calendar year 2009, the average number of waitlisted patients in the hospital was 55. This inability to admit acutely ill patients impacts the health care system statewide, as we often serve as a higher level of care, transfer center for many of the hospitals in the state and throughout the Pacific.

As such, we support the language in this bill that provides for a presumptive eligibility process for the waitlisted patients. With the verification of a patient's annual income and the confirmation of waitlist status by the hospitals, HAH found the risk of implementation of this type of program is minimal. According to HAH's review of other states' presumptive eligibility processes, the error rate was 4%-6%. The potential gains of this program could be substantial. It would assist hospitals and community-based programs in admitting patients to long term care facilities and community services in a timelier manner, which would benefit the patient, and also free up needed acute care beds for acutely ill patients.

We respectfully request that you consider development of a presumptive eligibility process to ease some of the burden that is placed on acute care hospitals due to the limitations in our state Medicaid eligibility process. The fragility of the health care system across the state requires your prompt attention. The longer it takes for action, the more our system is weakened, and the greater the impact to the overall quality of life of our patients.



The Queen's Medical Center Testimony on House Bill 2091  
Page 2

We recognize that the challenges facing our state healthcare system are complex and require multiple actions. This presumptive eligibility process is but one that will help assure quality health care while we build more community options for our aging population. Your favorable review of this bill is appreciated.

Thank you for the opportunity to submit written testimony.

Testimony of  
Frank P. Richardson  
Vice President and Regional Counsel

Before:  
House Committee on Finance  
The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair

February 19, 2010  
10:00 am  
Conference Room 308

**HB 2091 RELATING TO MEDICAID ELIGIBILITY (Presumptive Eligibility)**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB2091 that would require the Department of Human Services to provide presumptive eligibility to Medicaid eligible waitlisted patients.

**Kaiser Permanente Hawaii supports this bill.**

It has been reported that Hawaii hospitals have lost millions of dollars due to delays in discharging patients waitlisted for long term care. According to a report to the legislature by the Healthcare Association of Hawaii, there are on average 200, and sometimes more, patients waitlisted daily in acute care hospitals statewide awaiting placement to long term care beds.

Duration of these delays has ranged between several days to several months, and in some cases even more than a year. Contributing to these delays in many cases was the lengthy application, review and approval process for Medicaid eligibility for waitlisted patients.

Furthermore, each day that a waitlisted patient remains in an acute care hospital bed is another day that a bed is not available for an acute care patient in need of that bed.

Some, if not much, of this delay could be shortened by the presumptive eligibility measures proposed in this bill. For this reason, Kaiser Hawaii strongly supports this bill.

Thank you for the opportunity to comment.