

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

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Before:
House Committee on Health
The Honorable Ryan I. Yamane, Chair
The Honorable Scott Y. Nishimoto, Vice Chair
and
House Committee on Human Services
The Honorable John Mizuno, Chair
The Honorable Tom Brower, Vice Chair

March 16, 2010
11:00 am
Conference Room 329

SB 2099 SD2 Proposed HD1 RELATING TO HEALTH

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on SB2099 SD2 proposed HD1 that would undo the work of the Statewide Health Coordinating Council Plan Development Committee of the State Health Planning and Development Agency (SHPDA) in regard to Chronic Renal dialysis..

Kaiser Permanente Hawaii opposes this bill.

In 2009, SHPDA revised the State of Hawaii Health Services and Facilities Plan (HSFP). SHPDA is mandated by law to develop and periodically revises this plan which addresses the health care needs of the state and which, among other things, shall include standards for utilization of health care facilities and major medical equipment. This plan establishes these standards for 16 different health care services. One of these standards is for chronic renal dialysis. For each of the 16 services the plan sets the minimum capacity thresholds necessary to start or expand facilities for these services anywhere in the state. In other words if too few people will use the service then it shouldn't be created or expanded.

This bill would have the legislature over ride this process and return the standards for just dialysis to what was rejected as obsolete by the committee in favor of the new standards.

The effect of this bill would be to reduce the availability of dialysis services in Hawaii at a time when more and more people depend on this life saving service because their own kidneys are failing. The only ones to benefit from the passage of this bill will be current providers of dialysis services who seek to limit additional service that might compete with them. This bill might protect their business but only by depriving communities of improved availability of services.

We urge your committees to respect the work of SHPDA that was carried out as required by law and reject this effort to undo improvements in the plan which will better serve patients throughout the state. We ask that you hold this bill. Thank you for the opportunity to comment.



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Government Relations

Testimony of
Joan Danieley
Vice President, Health Plan Service and Administration

Before:
House Committee on Health
The Honorable Ryan I. Yamane, Chair
The Honorable Scott Y. Nishimoto, Vice Chair
and
House Committee on Human Services
The Honorable John M. Mizuno, Chair
The Honorable Tom Brower, Vice Chair

March 16, 2010
11:15 am
Conference Room 329

Re: SB 2099 SD2 Proposed HD1 REALTING TO HEALTH

Chairs, Vice Chairs and committee members, thank you for this opportunity to provide testimony on SB 2009 SD2 Proposed HD1 relating to health.

Kaiser Permanente Hawaii opposes this bill.

Kaiser opposes this legislation as SB 2009 SD2 Proposed HD1, if adopted, would provide existing dialysis providers with a near monopoly for this essential life giving service, which is especially prevalent on the neighbor islands where a single provider is allowed unfettered discretion in setting the cost for treatments and ancillary services on the islands of Maui, Kauai, Molokai and Hawaii. The lack of a second dialysis provider or any competition is reflected in the rates charged by the sole provider. For example, Kaiser is charged nearly 3 times the rate for dialysis services for our patients on Maui than what is pays for the same services on Oahu where there are two dialysis providers.

For many of our island residents who suffer from end stage renal disease (ESRD) there is no alternative, other than a kidney transplant, to hemodialysis treatments, three times a week. Given the prevalence and high incidence of diabetes in Hawaii's population, there has been an alarming increase in chronic kidney disease with a need for dialysis services in this State that is projected to double in the next decade. Rather than following the national trend and federal policy that encourages competition in keeping health costs affordable, the purpose of this legislation is to make market entry for any new provider even more difficult.

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In fact, the utilization thresholds set out in SB 2099 SD2 Proposed HD1 would revive archaic standards adopted in the 1990's, which were replaced with SHPDA adoption of the current thresholds for health care services in the 2009 revision of the Hawaii State Health Services and Facilities (HSFP) that is mandated by HRS §323D-12. Responsibility for setting capacity thresholds in health care planning has been delegated to SHPDA. This legislation would deny and reject nearly 5 years of effort spent by the agency, its advisory panels and its subcommittees conducting the needs studies and community meeting culminating in the 2009 update of the HSFP. Kaiser has been working with SHPDA and its advisory panels over the past 18 months under the current standards to incorporate dialysis services on the island of Maui in its management of chronic kidney disease. This legislation would put that project in jeopardy and would allow the sole dialysis provider on Maui to maintain its monopoly and its outrageous rates for dialysis services.

Thank you for this opportunity to comment.

To: Representative Ryan Yamane, Chair
Representative John Mizuno, Chair
House Committees on Health and Human Services Members

From: Jane Gibbons, Executive Vice-President
Liberty Dialysis-Hawaii, LLC

Hearing: Tuesday, March 16, 2010 11:15AM

Re: Testimony for Deferral of SB 2099, Relating to Health

Chairs Yamane and Mizuno and members of the Committees on Health and Human Services:

Thank you for the opportunity to speak with respect to SB2099 and, in particular, to discuss ensuring continued access to life-sustaining care for fragile populations in the state of Hawaii. We appreciate the intent of the bill to support dialysis provides abilities to meet the needs of the people of Hawaii, particularly in light of the changes to Medicare reimbursement rules being implemented in 2011 which will have a substantial negative impact on dialysis providers in Hawaii. However, for reasons I will discuss in more detail below, we do not believe that this is the right time to make changes to the existing statutory framework.

I appreciate the time and effort that committee members have put into assisting the COFA patients in Hawaii. As you know a majority of these patients are in our dialysis system. As we have previously stated, Liberty remains committed to these patients and will continue providing care for them throughout these difficult circumstances for as long as our finances permit.

In addition to the COFA patients, Liberty provides care for a large number of Medicare, Medicaid and underinsured patients in the state of Hawaii and is the

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only provider offering services in more remote areas of the state where operations are not self-sustaining.

Our ability to continue to serve the needs of these vulnerable populations is based on maintaining viable revenue streams and carefully controlling costs.

Of particular concern to dialysis providers in the state of Hawaii is the implementation of the new dialysis bundling rules for Medicare patients by CMS in January 2011. Currently, approximately more than 80% of dialysis patients in Hawaii are covered by Medicare. As a result, changes in Medicare reimbursement have a huge impact on the viability of providers.

The current across-the-board proposed rate adjusters contained in the CMS Prospective Payment System do not adequately reflect the higher costs associated with providing services in Hawaii and will have a substantial negative impact on the viability of dialysis providers. An initial analysis suggests a decrease in average reimbursement at facilities in Hawaii by 10-20% per treatment.

Such a decrease would substantially impair the ability of providers to maintain facilities, offer new technology (such as improved home care systems), and may ultimately lead to the curtailment of services. The estimated annual financial impact to Hawaii's dialysis providers is approximately \$16 million in lost revenue.

In light of these proposed changes, dialysis providers in the state face substantial challenges and we appreciate the effort of the Committee to provide stability.

However, there are current certificate of need applications being actively reviewed by SHPDA and we believe that it is important that these applications be reviewed under the existing statutory standards. Therefore, we do not believe this is the right time to make changes to those standards.

Thank you again for the opportunity to testify on the important issues affecting dialysis providers in the state.