



**Testimony to the House Committees on Health and Human Services
Tuesday, March 16, 2010 at 11:00 a.m.
Conference Room 329, State Capitol**

**RE: SENATE BILL NO. 2270 SD2 RELATING TO MEDICAID
REIMBURSEMENTS**

Chairs Yamane and Mizuno, Vice Chairs Nishimoto and Brower and Members of the Committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports Senate Bill 2270 SD2 relating to Medicaid Reimbursements.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

This measure establishes reimbursement to hospitals for patients occupying acute-licensed beds who are on the wait list for long-term care and reimbursement to long-term care facilities for patients with medically complex conditions.

Quality health care is critical to the people and economy of Hawaii. As one of the largest private industries in Hawaii, the health care industry plays an important role in our economy, particularly through attractive, well-paying jobs and through the purchase of goods and services that contribute to our state's economy. As such, the health care industry plays a crucial role in the economic development and sustainability of our state and all of Hawaii's businesses. Also, Hawaii's healthcare system provides quality care for our families and serves to attract and retain a professional workforce, new companies, and even tourists to our state.

However, the quality healthcare that Hawaii has enjoyed for years is now in jeopardy. It is on the verge of declining because healthcare providers are no longer being paid for essential services at a level sufficient to cover annually increasing costs. The health care system must be maintained and challenges must be addressed.

Therefore, The Chamber supports improvements that will improve the quality of our health care system, which include legislation that will establish reimbursement guidelines for Medicaid to hospitals and facilities with long-term care beds. This will help increase long term care capacity and access statewide.

In light of the above, The Chamber of Commerce of Hawaii supports SB 2270 SD2. Thank you for the opportunity to testify.



THE QUEEN'S MEDICAL CENTER

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Rep. Ryan I. Yamane, Chair
Rep. Scott Y. Nishimoto, Vice Chair
COMMITTEE ON HEALTH

Rep. John M. Mizuno, Chair
Rep. Tom Brower, Vice Chair
COMMITTEE ON HUMAN SERVICES

March 16, 2010 -11:00 a.m.
State Capitol, Conference Room 329

In Support of SB 2270, SD2 – Relating to Medicaid Reimbursements

Chairs Yamane and Mizuno, Vice Chairs Nishimoto and Brower, and Members of the Committees:

My name is Christina Donkervoet. I am the Director of Care Coordination and Patient Flow at The Queen's Medical Center (QMC). My position requires that I regularly monitor, strategize and manage the complex challenges involved with timely and appropriate discharges of acute inpatients. As a representative of QMC, I actively participated in the task force that was convened by the Healthcare Association of Hawaii (HAH) to strategize and manage issues regarding waitlisted patients. Thank you for this opportunity to submit written testimony in strong support of this bill.

QMC is greatly impacted by the limited community resources that are available to serve people in need of community-based care, rather than acute hospitalization. Patients on the waitlist for community based care often have a less-than-optimal quality of life, and their general health may be negatively impacted by a prolonged stay in the acute care hospital. Additionally, 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 our Emergency Department has to go on divert status because we simply do not have the bed capacity to admit patients needing hospitalization. In 2009, there was an average of 55 patients on the waitlist at QMC each day. The inability to admit 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.

We support the language in this bill that provides for reimbursement rates for waitlisted patients to be at the level of the acute care bed rate. Since these patients reside in the acute hospital bed while waiting for community placement, the cost of patient care remains the same and the loss of the inpatient capacity continues. As indicated in the bill, the payment currently received for these patients is only 20%-30% of the actual cost. The increase to the payment rate for these waitlisted patients is a necessary action in order to sustain our health care system. The November 2009

report "Hawaii's Healthcare System – What Lies Ahead?" by the Healthcare Association of Hawaii, found that in 2008, estimated uncompensated costs for waitlisted patients in Hawaii were \$72.5 million. This type of financial shortfall, at Queen's and other hospitals, significantly weakens our health care system as a whole.

We support the language in this bill that would ensure that long term care facilities are compensated at a higher rate when they provide services to these non-acute, yet complex, patients. Appropriate compensation to the long term care facilities would assist the acute care hospitals by increasing the discharge options for the patient care team.

In closing, we respectfully request that you adjust the reimbursement rates for waitlisted patients remaining in hospitals and develop sub-acute rates for complex and challenging patients to be served by the community program. 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 continues to value and embrace our role within the community. We understand the need for collaboration and will continue to work with state agencies and community facilities and programs to serve these waitlisted patients. We recognize that the challenges presented to our state are complex and require multiple actions. The actions in this bill are a few 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 testify.

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

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 2270 SD2 RELATING TO MEDICAID REIMBURSEMENTS

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on SB2270 SD2 that establishes reimbursement guidelines and provides appropriations for Medicaid to hospitals and facilities with long term care beds.

Kaiser Permanente Hawaii supports this bill.

It has been estimated that Hawaii hospitals lost approximately \$72,500,000 in 2008 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 were on average 200, and sometimes as many as 275, patients waitlisted daily in acute care hospitals statewide awaiting placement to long term care beds. Duration of these delays ranged from days or weeks, to months and sometimes years.

Because Medicaid reimburses acute care hospitals at a rate based upon the level of care needed by the patient, when a patient is well enough to be transferred to long term care, Medicaid payments to the hospital are reduced to a fraction of the actual cost of care in the hospital acute care setting. This results in an unfair financial burden on the hospitals, which must continue to provide care at a much higher cost to patients who remain waitlisted in acute care hospital beds due to the unavailability of long term care beds.

Kaiser Foundation Hospital's finances are negatively impacted by this waitlist situation, just as are all the other acute care hospitals in the State. Accordingly, Kaiser Permanente Hawaii strongly supports this bill to provide compensation that would fairly cover the costs of care for Medicaid patients waitlisted in acute care hospital settings while transfer to long term care is sought, by providing Medicaid reimbursements at the acute medical services payment rate.

Thank you for the opportunity to comment.



HOUSE COMMITTEES ON HEALTH AND HUMAN SERVICES

Representative Ryan Yamane, Chair

Representative John Mizuno, Chair

Conference Room 329

Mar. 16, 2010 at 11:00 a.m.

Supporting SB 2270 SD 2.

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 SB 2270 SD 2. This measure takes steps to solve the hospital waitlist problem by setting more appropriate Medicaid reimbursement rates to hospitals for patients who are waitlisted for long term care, and also to long term care facilities so that they will accept patients with complex medical conditions who are waitlisted in hospitals.

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.

Currently, Medicaid reimburses hospitals and long term care facilities at a rate based upon the level of care needed by the patient. However, for waitlisted patients and patients with medically complex conditions, this reimbursement scheme creates a significant fiscal burden on these providers.

SB 2270 SD 2 is one attempt to address the waitlist problem by addressing the reimbursement issues faced by hospitals and by long term care facilities. For hospitals, this bill will set the reimbursement rate for waitlisted patients as at least equal to the rate paid for acute care services. For long term care facilities, this bill will set the reimbursement rate for patients with medically complex conditions as at least equal to the rate paid for subacute care.

The waitlist problem is one that needs to be addressed. 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 SB 2270 SD 2 and respectfully requests that the joint Committees pass this measure. Thank you very much for the opportunity to testify.