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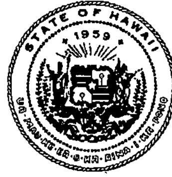

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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 1, 2010

MEMORANDUM

TO: Honorable David Y. Ige, Chair
Senate Committee on Health

Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2270– RELATING TO MEDICAID REIMBURSEMENTS**

Hearing: Monday, February 1, 2010, 2:45 PM.
Conference Room 016, State Capitol

PURPOSE: The purposes of this bill are to 1) change the way that hospitals are reimbursed for Medicaid waitlist long-term care patients to the acute payment rate, and 2) reimburse facilities with long -term care beds for patients with medically complex conditions who had received acute care services in an acute care hospital in a prior stay, at the subacute care rate.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill as it would result in a significant increase in State expenditures when the State is facing a $1.23 billion budget shortfall for the biennium.

In addition, State law currently requires that there be no distinction between hospital-based and non-hospital based Medicaid reimbursement rates for

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institutionalized long-term care. These reimbursements are equitably based on the level of care provided pursuant to section 346D-1.5, HRS.

DHS faces a currently estimated $84,000,000 shortfall this fiscal year which may potentially delay payments to health plans for three months and an estimated $146,000,000 shortfall next fiscal year if this year's shortfall is not addressed.

In FY 2008, there were 17,000 waitlisted days which would have meant an extra $10,000,000 per year in payments to hospitals. The number of waitlisted days and estimated costs for FY 2009 are currently being calculated and will be transmitted to the Committee when finalized. DHS already provides hospitals with more than $20,000,000 in supplement payments per year.

This increased payment to hospitals does not include the cost of effectively rebasing long-term care facility rates. Using the definition of "medically complex condition" for paying the subacute rate means that any patient with a chronic illness taking medications would qualify for the subacute rate. This is essentially everyone in a nursing facility and would cost additional tens of millions. The difference between the average NF rate (234.62) and average subacute rate (536.96) is an additional $302.34 per day

Paying inpatient acute care rates to a patient not requiring, by definition, acute level care, because he or she is awaiting discharge, would be paying for services not needed nor provided.

DHS believes the problem of long-term care patients occupying acute care beds will not be solved by this measure. The Department has already moved to address the waitlist problem through its QUEST Expanded Access (QExA) managed care program that started on February 1, 2009. Waitlisted patients will now have access to a service

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coordinator as well as increased access to expanded home and community based services. DHS also continues the Going Home Plus program which increases reimbursement to care for complex clients in the community. The future of long-term care is the expansion of home and community based services.

As this bill requires substantial additional State appropriations and the State facing a $1.23 billion budget shortfall for the biennium, DHS strongly opposes this measure as there is not enough State money to increase reimbursements.

Thank you for the opportunity to provide this written testimony.

KAISER PERMANENTE

Government Relations

Testimony of
Frank P. Richardson
Vice President and Regional Counsel

Before:
Senate Committee on Health
The Honorable David Y. Ige, Chair
The Honorable Josh Green, M.D., Vice Chair
and
Senate Committee on Human Services
The Honorable Suzanne Chun Oakland, Chair
The Honorable Les Ihara, Jr., Vice Chair

February 1, 2010
2:45 pm
Conference Room 016

LATE

SB 2270 RELATING TO MEDICAID REIMBURSEMENTS

Chairs, Vice Chairs, and committee members, thank you for this opportunity to provide testimony on SB2270 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.S

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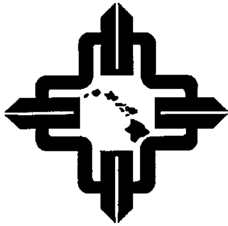

HAWAII HEALTH SYSTEMS
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Written Testimony

The Senate Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

Monday, February 1, 2010
2:45 pm
Conference Room 016

SB 2270 RELATING TO MEDICAID REIMBURSEMENTS
Requires Medicaid reimbursement to hospitals for patients occupying acute-licensed beds who are on a waitlist for long-term care to be at least equal to the rate paid for acute care services; requires Medicaid reimbursement to long-term care facilities for patients with medically complex conditions to be at least equal to the rate paid for sub-acute care; appropriates funds for increased reimbursements.

Testimony of Alice M. Hall, Esq.
Interim President and Chief Executive Officer

Thank you for the opportunity to provide testimony in support of SB 2270. We support this bill because it addresses an important issue of patients who are waitlisted for an appropriate level of long term care but occupy acute care licensed beds and result in both an inappropriate level of care and an inadequate reimbursement to the healthcare facility.

This situation is recognized as a significant problem acute hospitals in Hawaii are facing throughout the state of Hawaii in caring for patients that deserve long-term care service, but who are unable to transfer in light of no other options. Instead, wait-listed patients continue to occupy acute hospital beds where the cost of care far exceeds the level of reimbursement. This situation has a serious impact on hospitals because their acute bed availability is significantly reduced for patients with serious illness or injury. At Maui Memorial Medical Center alone, there is a daily average of 42 waitlisted patients, and over 60 waitlisted patients during peak periods.

This waitlist problem of Hawaii's hospitals has been the subject of concern and study, with recommendations by a task force created as a result of a Legislative Resolution and led by the Healthcare Association of Hawaii. We urge passage of this bill to address issues of quality of care and the high cost of uncompensated care in Hawaii.

The HHSC corporate and regional boards are committed to efforts supporting quality of healthcare and addressing the high cost of uncompensated care that affects Hawaii's hospitals and everyone they serve.

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