

NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

LATE

January 31, 2012

TO: The Honorable Ryan I. Yamane, Chair
House Committee on Health

The Honorable Representative John M. Mizuno, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2274 - RELATING TO LONG-TERM CARE FACILITIES**

Hearing: Tuesday, January 31, 2012; 10:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of the bill is to establish the Nursing Facility Sustainability Program special fund into which nursing facility sustainability fees shall be deposited and requires the department of human services to charge and collect a provider fee on health care items or services provided by nursing facilities.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports increasing the sustainability of the long-term care services delivery system. The DHS will continue to review the technical proposal.

Provider fees have been widely implemented nationally but are now being increasingly scrutinized by the Centers for Medicare & Medicaid Services (CMS). Preliminarily, this bill raises some concerns about the likelihood of federal approval. Initial concerns include the lack of explicitness regarding who has the authority to set the assessment rate, misunderstanding of the

relationship between approval of fee-for-service fee schedule changes and changes in contracted capitation rates, and the separate rate enhancement and how the enhancement will be paid to providers.

This bill, as drafted, would also prohibit use of the received fees to increase reimbursement for services provided to non-pregnant adult migrants because they are not eligible for federal match. This is also of concern to DHS.

In addition, the DHS does not have the resources or infrastructure to make assessments of total revenue, including non-Medicaid, and collect provider fees. DHS can receive the fees, but should not be assessing, charging, or collecting them.

Lastly, in the context of the recently released report from the Long Term Care Commission (LTCC), there are many unmet long-term needs in Hawaii. The enhanced revenue from this measure provides the opportunity to more effectively address the broader long-term care needs, such as by implementing recommendations of the LTCC, as well as increasing reimbursement for providers.

Provider assessments are commonly used to generate revenue for a state by leveraging federal funds through Medicaid. Some of the funding is used to increase provider reimbursement, but the funding can be used for any purpose. For example, if \$100 is assessed, the State could keep \$50 for itself and use the other \$50 to increase Medicaid provider reimbursement which would bring in an additional \$50 in federal match. Under this scenario, the provider receives an increased payment of \$100 relative to the \$100 assessed and breaks even; the state makes \$50. Conversely, the same assessed \$100 could be used entirely to increase reimbursement to providers, receive \$100 in matching federal funds and result in \$200 being paid to providers relative to the \$100 assessed for a net gain of \$100.

Thank you for the opportunity to testify on this bill.

LATE

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEES ON HEALTH AND HUMAN SERVICES
ON
HOUSE BILL NO. 2274

January 31, 2012

RELATING TO LONG-TERM CARE FACILITIES

House Bill No. 2274 establishes a Nursing Facility Sustainability Program Special Fund into which shall be deposited nursing facility provider fees which will be used to match federal Medicaid funds to increase Medicaid payments to nursing facilities.

While the Department of Budget and Finance does not take any position on the policy of establishing a nursing facility sustainability program, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 2274, it is difficult to determine whether there is a clear nexus between the nursing facilities which are assessed fees and the nursing facilities which receive increased Medicaid payments, and it does not appear that the special fund will be self-sustaining.

morikawa2 - Grant

From: Healthcare Association of Hawaii [postmaster@hah.org] on behalf of Brenda Whitney [brendawhitney56@gmail.com]
Sent: Monday, January 30, 2012 3:50 PM
To: HLTtestimony
Subject: Supporting HB 2274: Relating to Long-Term Care Facilities

LATE

Jan 30, 2012

House Committee on Health

Dear Committee on Health,

Thank you for this opportunity to share my thoughts in support of HB 2274: Relating to Long-Term Care Facilities.

Provider fee programs are used in 46 states and the District of Columbia as a means of drawing down additional federal funds to sustain their Medicaid programs. Hawaii is one of only four states without such a program, at a time when state budget deficits are rising due to increasing health care costs and expanding Medicaid rolls. The implementation of a provider fee in Hawaii could assist in stabilizing declining Medicaid payments to facilities and slow down the erosion of access to care for those beneficiaries served by the program.

Provider fees are not taxes, as they are created voluntarily by different categories of health care providers and are collected only from these providers. These fees are not assessed on other organizations, nor on individuals. Provider fees are used in this limited way to draw down federal funds.

In the past few years, states have increasingly relied on provider fee revenues to fund their Medicaid programs. This growth is a direct result of the downturn in state revenues during the last two recessions. Provider fees have served as the primary vehicle for maintaining and enhancing Medicaid funding during the last two recessions.

In Hawaii a provider fee would increase Medicaid payments at a time when constraints on the State budget have forced a reduction in payments and benefits. The additional federal funds obtained via the fee program would reduce the amount of losses incurred by hospitals and long term care facilities. As such, the provider fee would help to preserve access to health care for the Medicaid population and to preserve our health care system.

This bill creates a provider fee for nursing facilities. Another bill being considered by the Legislature creates a separate provider fee for hospitals.

Besides helping existing SNFs, the Nursing Facility Sustainability Program could enhance the creation of new long term care facilities.

For example, the Hawaii Medical Center East facility, will likely be repurposed as a nursing facility. A substantial proportion of its residents are expected to be Medicaid enrollees since Medicaid enrollees represent about 70% of the total population of all Hawaii nursing homes. However, nursing facilities are losing \$7 to \$8 per day on each Medicaid resident. If a provider fee program were implemented in the manner supported by the Healthcare Association, Medicaid payments would be increased to a level that is close to the actual cost of care. This increase would make the Hawaii Medical Center East facility more attractive to a potential purchaser.

I support HB 2274 with amendments proposed by the Healthcare Association of Hawaii.

Sincerely,

Ms. Brenda Whitney
1835 Makiki St
Honolulu, HI 96822-3247
(808) 285-1478

morikawa2 - Grant

From: Healthcare Association of Hawaii [postmaster@hah.org] on behalf of paul bursey [pbursey@icfsnf.com]
Sent: Monday, January 30, 2012 5:20 PM
To: HLTtestimony
Subject: Supporting HB 2274: Relating to Long-Term Care Facilities

L A T E

Jan 30, 2012

House Committee on Health

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I support HB 2274 with amendments proposed by the Healthcare Association of Hawaii.

Paul Bursey RN LNHA
91-1360 Karayan Street
Ewa Beach, HI
96706-1985

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Sincerely,

Mr. paul bursey
91-1360 Karayan St
Ewa Beach, HI 96706-1985

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2012 8:43 AM
To: HLTtestimony
Cc: robertscottwall@yahoo.com
Subject: Testimony for HB2274 on 1/31/2012 10:00:00 AM

LATE

Testimony for HLT/HUS 1/31/2012 10:00:00 AM HB2274

Conference room: 329
Testifier position: Support
Testifier will be present: No
Submitted by: Scott Wall
Organization: Individual
E-mail: robertscottwall@yahoo.com
Submitted on: 1/31/2012

Comments: