

HOUSE COMMITTEE ON HEALTH
Rep. Ryan Yamane, Chair

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. John Mizuno, Chair

Conference Room 329
March 20, 2012 at 10:00 a.m.

Supporting SB 2466 SD 2: Relating to Long-Term Care Facilities

The Healthcare Association of Hawaii advocates for 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. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 40,000 people. Thank you for this opportunity to testify in support of SB 2466 SD 2, which creates the Nursing Facility Sustainability Program that strengthens the financing of nursing facilities in Hawaii by drawing down federal funds and distributing these funds to nursing facilities.

Medicaid is a critical component of Hawaii's health care system because it pays for medical care for more than one in five Hawaii residents. However, Hawaii's Medicaid program has serious shortcomings that create a burden for nursing facilities and the entire health care delivery system.

The simple fact is that Medicaid pays nursing facilities less than the actual costs they incur in providing care to Medicaid patients. In other words, a nursing facility that provides the same care to a Medicaid patient and a patient with private funds is paid much less by Medicaid than with private funds.

Hawaii's Medicaid program pays nursing facilities, on average, \$7 to \$8 less than the actual costs of care per patient per day. Exacerbating the situation, Medicaid patients represent 70% of all nursing facility patients. Despite the substantial losses incurred by nursing facilities, they have humanitarian missions that obligate them to provide care to those Medicaid patients.

The federal government has a program that allows nursing facilities to assess themselves a fee and use these funds as a "match" to draw down federal dollars. A total of 46 states have some kind of provider fee program. If Hawaii implements a program as developed by the Healthcare Association of Hawaii (HAH), we believe we can substantially reduce the losses due to Medicaid.

Due to the severity of the losses, nursing facilities decided to explore the possibility of developing and implementing a provider fee program. However, they were hesitant because they will have to pay an assessment from unbudgeted revenues and trust that they will be reimbursed.

But because the situation today is so dire, nursing facilities decided to pursue a provider fee program. Even though the program requires no State funding and no taxpayer money, nursing facilities have agreed to concede part of the revenue from the provider fee to the State. This would mean unanticipated funding for the State that could be doubled with a federal match if used for Medicaid services.

The State recently submitted a counter-proposal, which we are reviewing. We may consider amending the bill in response to this proposal. We urge the joint committee to pass the bill to keep it alive in the legislative process. If we amend the bill in response to the State's proposal, we will submit a proposed draft when the bill proceeds to the Ways and Means Committee.

Meanwhile, we would like to suggest an amendment to address a concern of the House Finance Committee when it considered the companion bill, HB 2274. The House Finance Committee removed references to specific organizations, and our suggested amendment inserts an appropriate alternative. On page 10, lines 4-5 and again on page 12, lines 15-17, "the Healthcare Association of Hawaii and the Hawaii Long Term Care Association" should be replaced by "and the nursing facility trade associations located in Hawaii." A proposed draft of the bill with these amendments is attached.

For your information, this bill creates a provider fee program for hospitals, and another bill being considered by the Legislature creates a separate provider fee program for nursing facilities.

Thank you for the opportunity to testify in support of SB 2466 SD 2.