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March 21, 2011

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

Honorable Ryan I. Yamane, Chair
House Committee on Health

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 787, S.D. 2 – RELATING TO HEALTH**

Hearing: Monday, March 21, 2011, 9:00 a.m.
Conference Room 329, Hawaii 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 at a time that expenditure reductions are necessary and with a worsening economic outlook.

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

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

In FY 2008, there were 17,000 waitlisted days, and for FY 2010, there were 15,200 waitlist days, a 10.6% reduction. Approximately $3,100,000 was paid in FY 2010 for the waitlist days at the waitlist per diem rates. If the rates were increased to the acute care per diem rates, then an additional $6,800,000 (excluding ancillary) would be needed for reimbursements.

DHS already provides hospitals with more than $25,000,000 in supplemental payments per year.

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. This could lead to problems with the Centers for Medicare & Medicaid Services and receipt of federal matching funds.

The additional expenditure amount described above does not include the cost of effectively re-basing long-term care facility rates as also required by this bill. 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 nursing facility rate ($234.62) and average subacute rate ($536.96) is an additional $302.34 per day.

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 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. These efforts are associated with the 10.6% reduction in waitlist days. The future of long-term care is the expansion of home and community based services.

Thank you for the opportunity to provide this testimony.

HOUSE COMMITTEE ON HUMAN SERVICES
Rep. John Mizuno, Chair

HOUSE COMMITTEE ON HEALTH
Rep. Ryan Yamane, Chair

Conference Room 329
March 21, 2011 at 9:00 a.m.

Supporting SB 787 SD 2.

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. Our members employ more than 40,000 people statewide, delivering quality care to the people of Hawaii. Thank you for this opportunity to testify in support of SB 787 SD 2, which requires Medicaid to pay hospitals at the rate for acute care services for patients who are waitlisted for long term care. The bill also requires Medicaid to pay long term care facilities at at least the rate for subacute care services for patients with medically complex conditions who were receiving acute care services in acute care hospitals.

On any given day there are an average of 150 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.

The waitlist dilemma is unique to Hawaii, largely because Hawaii has one of the lowest ratios of long term care beds for its population in the United States. Whereas the US average is 47 long term care beds per 1000 people over age 65, Hawaii averages 23 (half of the US average). The shortage of long term care beds is the result of high costs of construction and operation, along with low payments for services.

The Healthcare Association has advocated for solutions to the waitlist problem since 2007, when it sponsored SCR 198, which directed the Association to study the problem and propose solutions. The Association subsequently created a task force for that purpose, which studied the problem, wrote a report, and submitted it to the Legislature. However, the Legislature has not yet taken action on it.

Since then the Association has advocated for measures that have been designed to:

(1) Promote the movement of waitlisted patients out of acute care;

(2) Reduce unpaid costs incurred by hospitals and free up hospital resources so that they can be used to treat those who need that high level of care; and

(3) Enable long term care facilities to accept waitlisted Medicaid patients with complex medical conditions while addressing the additional costs related to their care.

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. Long term care facilities can provide appropriate care to waitlisted patients, but payments should be set at levels that at least cover the costs of care.

Thank you for this opportunity to testify in support of SB 787 SD 2.