



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

February 11, 2013

TO: The Honorable Sylvia Luke, Chair  
House Committee on Finance

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 880, H.D.1 - RELATING TO THE NURSING FACILITY  
SUSTAINABILITY PROGRAM**

Hearing: Wednesday, February 13, 2013; 2:00 p.m.  
Conference Room 308, State Capitol

**PURPOSE:** The purpose of the bill is to amend Act 156, Session Laws of Hawaii 2012, to continue the Nursing Facility Sustainability Program by extending the sunset date of the Act, updating the referral dates in the statute, and appropriating funding out of the Nursing Facility Sustainability Program Special Fund for FY2013-2014.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this Administration bill. Act 156, Session Laws of Hawaii 2012, established the Nursing Facility Sustainability Program. The Nursing Facility Sustainability Program leverages available federal funding for the DHS to make supplemental payments to nursing facilities to help offset their uncompensated care costs and thereby increases the sustainability of Hawaii's long term care facilities.

The DHS, the Hawaii Long Term Care Association, and the Healthcare Association of Hawaii worked closely on developing the amendments to this bill. Through good faith

partnership, the two parties agreed to continue the same provisions for next year's Nursing Facility Sustainability Program.

The fees authorized in the Nursing Facility Sustainability Program are levied on non-governmental nursing facilities and are used largely to leverage federal funds and increase reimbursements to nursing facilities, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional monies will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the long-term safety-net.

The DHS has been able to obtain approval from the Centers for Medicare & Medicaid Services (CMS) to implement the Nursing Facility Sustainability Program. The nursing facilities will be submitting \$11.5 million into the special fund and the DHS will be paying back out \$21 million to the nursing facilities through the health plans this year.

Hawaii's residents benefit by having more sustainable nursing facilities and thereby have increased access to necessary long term care services.

Thank you for the opportunity to testify on this bill.



HOUSE COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair

February 13, 2013 at 2:00 p.m.  
Conference Room 308

**Supporting HB 880 HD 1: Relating to the Nursing Facility Sustainability Program**

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 HB 880, which modifies the Nursing Facility Sustainability Program and extends its sunset for one year, to June 30, 2014.

The Legislature created this program last year by enacting Act 156. Recognizing that Medicaid payments are below the actual costs of care, this program increases Medicaid payments to nursing facilities. The program does that by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities.

Non-government nursing facilities are assessed an annual fee based on the amount of care they provide. Payment is based on the amount of a nursing facility's Medicaid utilization. As such, the fees and payments are different for every nursing facility.

This bill is the result of a collaborative effort between DHS and HAH. It is a bill that benefits Medicaid enrollees because it ensures access to quality care.

Thank you for the opportunity to testify in support of HB 880 HD 1.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Touching Lives Everyday"*

**House Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair**

February 13, 2013  
Conference Room 308  
2:00 p.m.  
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 880, HD1, Relating to the Nursing Facility Sustainability Fee Program. Amends Act 156, Session Laws of Hawaii 2012, to continue the Nursing Facility Sustainability Program by extending the sunset date of the Act, updating the referral dates in the statute, and appropriating funding out of the nursing facility sustainability program special fund for fiscal year 2013-2014.**

Bruce S. Anderson, Ph.D.  
President and Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of HB 880, HD1, that continues the Nursing Facility Sustainability Program.

Given that health care provider reimbursements are declining at both the federal and state level, it is imperative that health care providers find innovative ways to generate revenues to offset the decline in reimbursements. We believe that the concept of a provider fee on health care items or services provided by nursing facilities is a good financing mechanism that leverages federal funds to increase the reimbursements to nursing facilities from the QUEST and QUEST Expanded Access (QEXA) programs.

As is common in other states that have implemented sustainability fee programs, the public hospitals of the Hawaii Health Systems Corporation are being exempted from the nursing facility sustainability fee. This is being done to maximize both the amount of federal funds that the private nursing facilities will receive through the nursing facility sustainability fee program and the amount of federal matching funds the public hospitals can receive under the State of Hawaii's Section 1115 waiver. As a matter of public policy, the public hospitals should be allowed to utilize their certified public expenditures to the maximum extent possible for their exclusive benefit as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds

may be realized and the private nursing facilities and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

Thank you for the opportunity to testify before this committee. We would respectively recommend the Committee's support of this measure.



February 13, 2013

HOUSE COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

RE: **Support of HB 880 HD 1: Relating to the Nursing Facility Sustainability Program**  
February 13, 2013 at 2:00 p.m.  
Conference Room 308

As the Administrator of Hale Makua Wailuku, a long-term care community with a capacity for 90 Elders, I urge you to support HB 880.

On average over the course of 2012, 88% of Hale Makua Wailuku's residents had Medicaid as their payer. Medicaid reimbursements are less than our cost of providing care. The Nursing Facility Sustainability Program helps to rectify that situation by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities. The State also benefits by keeping a portion of these funds, making this a win-win proposal.

Hawaii's Medicaid population need access to long-term care communities, and the Nursing Facility Sustainability Program supports non-government homes in providing this service.

Thank you for the opportunity to comment and share my support of HB 880.

Sincerely,

A handwritten signature in cursive script that reads "Connie Miller".

Connie Miller, Administrator