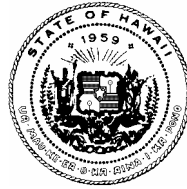


NEIL ABERCROMBIE
GOVERNOR



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DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 12, 2013

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1103 – MAKING AN EMERGENCY APPROPRIATION TO
THE DEPARTMENT OF HUMAN SERVICES FROM THE
NURSING FACILITY SUSTAINABILITY PROGRAM SPECIAL
FUND**

Hearing: Thursday, February 14, 2013; 9:05 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of S.B. 1103 is to appropriate the sum of \$12,000,000, or so much as may be necessary for fiscal year 2012-2013, out of the Nursing Facility Sustainability Program Special Fund with such monies to be used consistent with the Nursing Facility Sustainability Program Special Fund, including the reimbursement of monies advanced for those purposes in fiscal year 2012-2013 from the health care payments program (HMS 401).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill that would not require any new appropriation of general funds. Due to a technical omission, the Nursing Facility Sustainability Program enacted last year did not include the authorization to expend from the special fund monies received from fees that were deposited into it.

The Nursing Facility Sustainability Program was established through Act 156 in

AN EQUAL OPPORTUNITY AGENCY

the 2012 legislative session. The program allows DHS to assess fees on nursing facilities and utilize the monies received to draw down federal dollars for supplemental payments to the nursing facilities, passed through the Medicaid contracted health plans, in order to help offset their uncompensated care.

The DHS has used monies out of Medicaid health care payments program (HMS 401) to make the supplemental payments so that payments to nursing facilities would not be delayed due to the technical issue. This bill allows funds from the Special Fund to be used to reimburse Medicaid's HMS 401 account for monies already advanced and for the required supplemental payments for the rest of fiscal year 2012-2013

Without the authorization to expend monies out of the special fund, the DHS will not be able to continue making supplemental payments to nursing facilities and will face a shortfall for the monies it advanced in good faith and in the spirit of the intent of Act 156

Thank you for the opportunity to provide testimony on this bill.



SENATE COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair

February 14, 2013 at 9:05 a.m.
Conference Room 211

Supporting SB 1103: Making an Emergency Appropriation to the Department of Human Services from the Nursing Facility Sustainability Program Special Fund.

The Healthcare Association of Hawaii (HAH) 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 comment in support of SB 1103, which makes an emergency appropriation to improve Medicaid payments to nursing facilities.

Recognizing that Medicaid payments were below the actual costs of care, the Legislature created the Nursing Facility Sustainability Program last year by enacting Act 156, which 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.

Specifically, non-government nursing facilities are assessed an annual fee based on their patient revenues. Payment is based on the amount of a nursing facility's uncompensated care, which consists of nonpayment by uninsured patients and underpayment by Medicaid. As such, the fees and payments are different for every nursing facility. As a result of the program, Medicaid payments to many nursing facilities are now nearly equal to the actual costs of care.

Unfortunately, it was discovered after the bill was passed that Act 156 did not include the technicality of an appropriation from the Nursing Facility Sustainability Program Special Fund. In order to begin the Nursing Facility Sustainability Program, the Department of Human Services used money from another fund as a temporary solution. HB 871 will reimburse those moneys and enable the program to operate as envisioned.

The great majority of Hawaii's nursing facility population consists of Medicaid enrollees. This bill will help ensure that they continue to have access to the care that they need.

Thank you for the opportunity to comment in support of SB 1103.



HALE MAKUA HEALTH SERVICES

February 13, 2013

SENATE COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair

RE: **Support of SB 1103: Emergency Appropriation; Nursing Facility Sustainability Program
Special Fund.**

February 14, 2013 at 9:05 a.m.

Conference Room 211

As the Chief Financial Officer of Hale Makua Health Services, a provider of health services including two of Maui's nursing homes, I urge you to support SB 1103.

Hale Makua Health Services provides care to an average of 235 residents at its Kahului location and 82 residents at its Wailuku location. 76% of our residents are covered by Medicaid at our Kahului location and 88% at our Wailuku location. It has been difficult for our nursing homes to sustain themselves because our Medicaid reimbursements are less than our cost of providing care. At Hale Makua Wailuku, we lose \$24 a day on a Medicaid resident.

The Nursing Facility Sustainability Program helps to temporarily repair our difficult financial 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 SB 1103.

Sincerely,

Joyce Tamori
Chief Financial Officer