



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES

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

February 12, 2013

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

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1237, S.D.1 - RELATING TO LONG TERM CARE FACILITIES**

Hearing: Thursday, February 14, 2013; 9:00 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of the bill is to continue the Nursing Facility Sustainability Program by extending the sunset date, update referral dates in the statute, revises the funding amount for FY2013-2014; and makes an appropriation.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this measure. The nursing facility sustainability program leverages available federal funding for 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.

DHS and the Healthcare Association of Hawaii worked closely since last legislative session on language for this session. Through good faith partnership, the two parties agreed to continue the same provisions for next year's nursing facility sustainability program and that language is reflected in this bill.

The nursing sustainability program was first enacted last year, and DHS has been able to obtain approval from the Centers for Medicare & Medicaid Services (CMS) to implement the

sustainability program. The nursing facilities will be submitting \$11.5 million into the special fund and DHS will be paying back out \$21 million to the nursing facilities through the health plans this year.

This bill also will allow DHS to utilize a small portion of the funds to support Medicaid initiatives that benefit our beneficiaries, such as expansion of behavioral health services for the seriously mentally ill and implementation of a patient centered medical homes pilot. In addition, funds will be used to address a deficit in DHS's base operating budget and fund critical items such as salaries and essential supplies.

Thank you for the opportunity to testify on this bill.



February 13, 2013

SENATE COMMITTEE ON WAYS AND MEANS  
Senator David Ige, Chair

RE: **Support of SB 1237 SD 1: Relating to Long-Term Care Facilities**  
February 14, 2013 at 9:00 a.m.  
Conference Room 211

As the Administrator of Hale Makua Wailuku, a long-term care community with a capacity for 90 Elders, I urge you to support SB 1237.

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 SB 1237.

Sincerely,

Connie Miller, Administrator



## **HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

**Senate Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair**

February 14, 2013  
Conference Room 211  
9:00 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 1237, SD1, Relating to Long-Term Care Facilities; 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 SB 1237, SD1, 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

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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 14, 2013

To: Chair David Ige and Members  
Senate Committee on Ways and Means  
From: Bob Ogawa, President  
Re: SB 1237, SD1, Relating to Long Term Care Facilities

The Hawaii Long Term Care Association (HLTCA) strongly supports SB 1237, SD1, which extends the Nursing Facility Sustainability Program. You are all well-familiar with the substantial financial and services challenges that face our State medicaid system. Long term care facilities, in particular, have been falling into increasingly dire straits just as the leading edge of the Baby Boomer Generation has begun to turn 65. As such, this Legislature and the Administration acted swiftly and decisively last session in establishing this initiative and supporting, in historic fashion, our troubled senior care infrastructure at the most critical of times.

Very simply, this program uses provider fees to draw down essential additional federal funds to cope with budget shortfalls, rising healthcare costs and ever-expanding medicaid rolls. This has resulted in increased reimbursements to nursing facilities, thus reducing the losses they were incurring, preserving access to care for the medicaid population and helping to ensure sustainability for our long term care system.

Between the HLTCA and the Healthcare Association of Hawaii, we represent all the skilled nursing facility beds in the State of Hawaii. As such, like we did in 2012, we present to you a united front in support of this legislation.

Having been part of both endeavors, I can personally tell you that, along with the Medicaid Reimbursement Equity Act of 1998, the Nursing Facility Sustainability Program is one of the two most important long term care measures enacted in my lifetime. Moreover, passage and implementation involved a public-private partnership unlike any I have ever experienced in over 35 years in politics. Please allow us to continue with this program for the benefit of our senior community and its health and welfare. Part of HLTCA's mission statement says: *How we provide for Hawaii's kupuna, chronically ill and convalescent disabled is a measure of the respect and compassion we have for them . . . a reflection of our dignity as a society.*

Enabling the nursing facility sustainability program to continue indeed reflects our dignity as a society. It says that we will not let the system fail, because we will not fail our kupuna. Thank you.



SENATE COMMITTEE ON WAYS AND MEANS  
Senator David Ige, Chair

February 14, 2013 at 9:00 a.m.  
Conference Room 211

**Supporting SB 1237 SD 1: Relating to Long-Term Care Facilities**

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 1237 SD 1, which modifies the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2014.

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.

Non-government nursing facilities are assessed an annual fee based on their resident 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 for many facilities are now nearly equal to the actual costs of care.

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

Thank you for the opportunity to comment in support of SB 1237 SD 1.

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**Cc:** [tabraham08@gmail.com](mailto:tabraham08@gmail.com)  
**Subject:** \*Submitted testimony for SB1237 on Feb 14, 2013 09:00AM\*  
**Date:** Monday, February 11, 2013 3:45:12 PM

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SB1237

Submitted on: 2/11/2013

Testimony for WAM on Feb 14, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

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