



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

March 15, 2013

TO: The Honorable Della Au Belatti, Chair  
House Committee on Health  
  
The Honorable Mele Carroll, Chair  
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1237, S.D.2 - RELATING TO LONG TERM CARE FACILITIES**

Hearing: Friday, March 15, 2013; 10:30 a.m.  
Conference Room 329, 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 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.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N  
*Quality Healthcare For All*

**House Committee on Health**  
**Representative Bella Au Belatti, Chair**  
**Representative Dee Morikawa, Vice Chair**

**House Committee on Human Services**  
**Representative Mele Carroll, Chair**  
**Representative Bertrand Kobayashi, Vice Chair**

Friday, March 15, 2013  
Conference Room 329  
10:30 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 1237, SD2, 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, SD2, 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


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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.



**HAWAII  
LONG  
TERM  
CARE  
ASSOCIATION**

March 15, 2013

To: Chairs Della Au Belatti and Mele Carroll and  
Members House Committees on Health and Human Services  
From: Bob Ogawa, President  
Re: SB 1237, SD2, Relating to Long Term Care Facilities

The Hawaii Long Term Care Association (HLTCA) strongly supports SB 1237, SD2, 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.

HOUSE COMMITTEE ON HEALTH  
Rep. Della Au Belatti, Chair

HOUSE COMMITTEE ON HUMAN SERVICES  
Rep. Mele Carroll, Chair

March 15, 2013 at 10:30 a.m.  
Conference Room 329

**Supporting SB 1237 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, a majority of home health agencies and hospices, as well as long term care facilities and other health care organizations. Our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide, delivering quality care to the people of Hawaii.

Thank you for this opportunity to testify in support of SB 1237 SD 2, 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.

Specifically, 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. Although the fees and payments are different for every facility, the overall goal of the program is being achieved. As a result, Medicaid payments to many facilities are nearly equal to the actual costs of care, thereby reducing their losses and improving their financial stability.

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.

For the foregoing reasons, the Healthcare Association of Hawaii supports SB 1237 SD 2.



March 13, 2013

HOUSE COMMITTEE ON HEALTH  
Rep. Della Au Belatti, Chair

HOUSE COMMITTEE ON HUMAN SERVICES  
Rep. Mele Carroll, Chair

March 15, 2013 at 10:30 a.m., Conference Room 329

**Supporting SB 1237 SD 2: Relating to Long-Term Care Facilities**

Thank you for this opportunity to testify in support of SB 1237 SD 2, which modifies the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2014.

Last year, recognizing that Medicaid payments were below the actual costs of care, the Legislature created the Nursing Facility Sustainability Program 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 such as Hale Makua 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. Although the fees and payments are different for every facility, the overall goal of the program is being achieved. As a result, Medicaid payments to many facilities are nearly equal to the actual costs of care, thereby reducing their losses and improving their financial stability.

Hale Makua Wailuku's resident population consists of 85% Medicaid enrollees. This bill ensures that they will continue to have access to the care that they need.

For the foregoing reasons, I support SB 1237 SD 2.

Sincerely,

Connie Miller  
Administrator