



STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. Box 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
File:

**Senate Committee on Ways and Means**

**HCR 140, Requesting the Director of Human Services to Rebase the Basic Prospective Payment System Rates for Intermediate Care Facilities for Individuals with Intellectual Disabilities that Serve Medicaid Recipients to be Effective July 1, 2015, and the Director of Health to Include Sufficient Funding to Cover any Increase in Basic Payment System Rates Resulting from Rebasing in its 2015-2017 Biennium Budget.**

**Testimony of Linda Rosen, M.D., M.P.H.  
Director of Health**

**April 17, 2014**

1 **Department's Position:** Support Intent

2 **Fiscal Implications:** The Department of Health Developmental Disabilities Division (DDD) defers to  
3 the Department of Human Services Medicaid in regards to the fiscal impact of rebasing prospective  
4 payment system rates for intermediate care facilities for individuals with intellectual disabilities  
5 (ICFs/ID). DDD estimates there are about 88 individuals in ICFs/ID at this time.

6 **Purpose and Justification:**

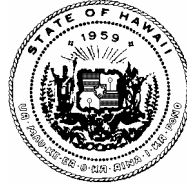
7 The purpose of this concurrent resolution is to request the Director of the Department of Human  
8 Services to take steps, in collaboration with providers, to rebase the basic prospective payment system  
9 rates for intermediate care facilities for individuals with intellectual disabilities that serve Medicaid  
10 recipients to be effective July 1, 2015, for the fiscal year ending June 30, 2016, and using cost reports  
11 from providers from the base year ending June 30, 2013.

12 It has been over eight (8) years since there has been a rebasing of the prospective payment system rates  
13 for the ICFs/ID. During this period of time, costs have increased in workers compensation insurance,

1 unemployment insurance, health care insurance for employees, utilities and food/ supplies for client  
2 care. It is critical to rebase the prospective payment system rates to allow the non-profit agencies  
3 operating ICFs/ID to survive as business entities and maintain residential capacity for individuals who  
4 require 24/7 services and supports.

5 Upon determination of rates by the State Medicaid Agency, the Department will submit a request for the  
6 Medicaid state match to the 2015 Hawaii State Legislature.

7 Thank you for the opportunity to testify on this resolution.



**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN SERVICES**

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

April 17, 2014

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

FROM: Patricia McManaman, Director

SUBJECT: **H.C.R 140 – REQUESTING THE DIRECTOR OF HUMAN SERVICES TO REBASE THE BASIC PROSPECTIVE PAYMENT SYSTEM RATES FOR INTERMEDIATE CARE FACILITIES FOR INDIVIDUALS WITH INTELLECTUAL DISABILITIES THAT SERVE MEDICAID RECIPIENTS TO BE EFFECTIVE JULY 1, 2015, AND THE DIRECTOR OF HEALTH TO INCLUDE SUFFICIENT FUNDING TO COVER ANY INCREASE IN BASIC PAYMENT SYSTEM RATES RESULTING FROM REBASING IN ITS 2015-2017 BIENNIUM BUDGET**

Hearing: Thursday, April 17, 2014; 10:45 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of this resolution is to request the Department of Human Services (DHS) to rebase the Prospective Payment System (PPS) for intermediate care facilities for individuals with intellectual disabilities (ICF IID) that serve Medicaid recipients effective July 1, 2015 and the Department of Health to include sufficient funding to cover any increase in their 2015-2017 biennium budget.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) provides the following comments on this resolution. The DHS is already planning a rebasing of the PPS rates. The Department's administrative rules allow for a rebasing of the PPS rates every eight

years. The last rebasing of PPS rates was effective on July 1, 2007, which would require the DHS to rebase the rates to be effective July 1, 2015, which the DHS will do.

The DHS rules also state that for those years between rebasing the facilities would be eligible for an annual inflation rate increase. The DHS received approval from CMS to suspend the inflation rate increases effective July 1, 2011 due to the budget shortfall. The suspension of the inflation increase is currently still in effect.

The DHS defers to the Department of Health on the availability of the funding necessary for the rebasing of ICF IID rates.

Thank you for the opportunity to testify on this measure.



**STATE OF HAWAII**  
STATE COUNCIL  
ON DEVELOPMENTAL DISABILITIES  
919 ALA MOANA BOULEVARD, ROOM 113  
HONOLULU, HAWAII 96814  
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543  
April 17, 2014

The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means  
Twenty-Seventh Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

Dear Senator Ige and Members of the Committee:

**SUBJECT: HCR 140 – REQUESTING THE DIRECTOR OF HUMAN SERVICES TO REBASE THE BASIC PROSPECTIVE PAYMENT SYSTEM RATES FOR INTERMEDIATE CARE FACILITIES FOR INDIVIDUALS WITH INTELLECTUAL DISABILITIES THAT SERVE MEDICAID RECIPIENTS TO BE EFFECTIVE JULY 1, 2015, AND THE DIRECTOR OF HEALTH TO INCLUDE SUFFICIENT FUNDING TO COVER ANY INCREASE IN BASIC PAYMENT SYSTEM RATES RESULTING FROM REBASING IN ITS 2015-2017 BIENNIUM BUDGET**

The State Council on Developmental Disabilities (DD) **STRONGLY SUPPORTS HCR 140**. The concurrent resolution requests that the Director of Human Services take steps, in collaboration with providers, to rebase the basic prospective payment system rates for intermediate care facilities for individuals with intellectual disabilities that serve Medicaid recipients to be effective July 1, 2015, for the fiscal year ending June 30, 2016, and using cost reports from providers from the base year ending June 30, 2013.

It is our understanding that the current basic prospective payment system rates for intermediate care facilities for individuals with intellectual disabilities were set in Fiscal Year 2008 rebasing that became effective July 1, 2007 and were based on cost reports from providers for the base Fiscal Year ending June 30, 2005. Due to the 2012 suspension of the mandated annual inflation adjustments to the basic prospective payment system rates, providers have not had an increase in payments to keep up with inflation.


A rebasing effective July 1, 2015 for Fiscal Year ending June 30, 2016 and using cost reports from providers from the base year ending June 30, 2013 would address the dilemma for providers to meet the financial challenges of rising costs while continuing to provide critical services for persons with intellectual disabilities. Providers are an essential component in assisting the State in establishing a comprehensive service

The Honorable David Y. Ige  
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system that is responsive in enhancing the quality of life for persons with intellectual disabilities.

The Council appreciates the intent of HCR 140 and the opportunity to submit testimony **strongly supporting HCR 140.**

Sincerely,



Waynette K.Y. Cabral, M.S.W.  
Executive Administrator



J. Curtis Tyler, III  
Chair

**The Arc in Hawaii**  
3989 Diamond Head Road  
Honolulu HI 96816  
808 737-7995

April 17, 2014

The Honorable David Y. Ige, Chair  
Senate Committee on Ways and Means  
Twenty-Seventh Legislature  
State Capitol  
State of Hawaii  
Honolulu, Hawaii 96813

**RE: HCR 140 Requesting the Director of Human Services to rebase the Basic Prospective Payment System Rates for Intermediate Care Facilities For Individuals With Intellectual Disabilities that serve Medicaid recipients to be effective July 1, 2015, and the Director of Health to include sufficient funding to cover any increase in Basic Payment System Rates resulting from rebasing in its 2015-2017 Biennium Budget.**

Hearing: Thursday April 17, 2014 10:45 A.M.  
Conference Room 211

Dear Senator Ige and Members of the Committee:

The Arc in Hawaii (The Arc) **strongly supports** HCR 140 and requests that it be passed without amendment.

The Arc in Hawaii operates seven Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs). Our 32 residents require an extra level of care due to their disabilities. Many were formerly served at Waimano Training School and Hospital. The Arc stepped up and built the seven home-style, neighborhood-based residences to provide less restrictive options for Waimano residents and for future individuals who need ICF/IID levels of care. The Arc and others made it possible to close the large institution in keeping with principles of least restrictive settings for all people with disabilities.

To provide these services, The Arc depends upon Medicaid payments, shared by the state and federal governments, through the Long Term Care Prospective Payment System (PPS) under Hawaii Administrative Rules, Title 17, Subtitle 12, Chapter 1739.2 (the DHS Rules).

The DHS Rules require that the PPS base rate be set by reference to provider-submitted cost reports for a “base year,” and to be increased annually by a specified inflation factor. The DHS Rules further provide that “... a provider shall not have its basic PPS rates calculated by reference to the same base year for more than eight state fiscal years.”

The last DHS rebasing used provider cost reports for the base year FY 2005, and became effective on July 1, 2007. DHS had indicated that it would next rebase using FY 2014 cost reports to be effective July 1, 2016. This would mean that PPS rates would be based upon FY 2005 base year cost reports for nine, not eight, years as required by DHS Rules.

Rebasing only every eight years is, in itself, a ridiculous concept. It is conscionable only if the base rate is increased by an annual inflation adjustment to keep pace with rising costs. The DHS Rules provide for annual inflation adjustments, but DHS has suspended the inflation adjustment for four fiscal years. Thus, The Arc and other providers are hit with a double whammy – reliance on out of date reference data and denial of mandated inflation increases. The result has been losses in excess of \$1.4 million for The Arc’s ICF/IID program over the last three fiscal years and there will be additional losses by the end of this year and next year also without inflation adjustments. And these losses are being incurred notwithstanding below-standard rates of pay for our loyal and compassionate ICF/IID staff.

This cannot go on any longer. It is time for DHS to step up to its end of the bargain that led to the establishment of these ICF/IID homes to facilitate the transition of Waimano residents to the community.

The Arc is not requesting a bailout, subsidy, grant-in-aid or anything of that nature, but only what the law already requires. We urge DHS to do what is right.

Thank you for hearing this Concurrent Resolution and thank you for the opportunity to provide testimony.

Thomas P. Huber  
President  
The Arc in Hawaii