



STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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February 26, 2014

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

FROM: Barbara A. Yamashita, Deputy Director

SUBJECT: **S.B. 2057, S.D.1 - RELATING TO THE NURSING FACILITY  
SUSTAINABILITY PROGRAM**

Hearing: Wednesday, February 26, 2014; 9:00 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** The purpose of the bill is to continue the Nursing Facility Sustainability Program, established by Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, by extending the sunset date of Act 156, Session Laws of Hawaii 2012, updating the referral dates in the statute, and appropriating funding out of the Nursing Facility Sustainability Program Special Fund for fiscal year 2014-2015.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) supports this measure as it proposes to extend the Nursing Facility Sustainability Program for another year.

The Administration bill, S.B. 2844, also proposes to extend the Nursing Facility Sustainability Program. The DHS has worked collaboratively with the Healthcare Association of Hawaii and the Long Term Care Association on language included in S.B. 2844. Should there be any differences between this measure and S.B. 2844, the DHS respectfully requests that the Legislature refer to the language in S.B. 2844.

Under the Nursing Facility Sustainability Program, a fee is levied on non-governmental nursing facilities and uses that revenue to leverage federal funds and increase reimbursement to nursing facilities, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the long-term care safety-net.

In fiscal year 2012-2013, the nursing facilities were assessed \$11,535,405 in sustainability fees and received \$21,086,740 in additional reimbursement. In fiscal year 2013-2014 it is anticipated that the nursing facilities will be assessed \$11,436,642 and will receive \$20,906,201 in additional reimbursement.

The DHS utilized 12% of the sustainability fees authorized for use by the DHS to restore the 3% reduction in reimbursement rates for the nursing facilities. In fiscal year 2012-2013m the DHS retained \$1,384,248 of the sustainability fees and when combined with federal matching funds, resulted in the DHS being able to provide the nursing facilities approximately \$2.9 million in increased reimbursement. For fiscal year 2013-2014, it is estimated that the DHS will retain approximately \$1.37 million in sustainability fees to improve services for Medicaid program recipients and increase reimbursement to the nursing facilities by \$2.8 million.

The 2012 Legislature, in conference committee, added an exemption for the Nursing Facility Sustainability Program Special Fund from the departmental administrative expenses assessed under section 36-30,HRS. This ensures that any moneys received in fees are only used to increase the sustainability of nursing facilities in Hawaii and to benefit Medicaid program recipients. The exemption from section 36-27, HRS, for central services expenses, however, was not added at the same time.

This bill also proposes to also exempt the Nursing Facility Sustainability Program Special Fund from the central services expenses assessed under section 36-27, HRS.

Without these two exemptions from the departmental administrative expenses and central services expenses assessments, the Nursing Facility Sustainability Program would have to pay \$500,000 in central services expenses assessed under section 36-27 and \$982,000 for departmental administrative services expenses assessed under section 36-30 for fiscal year 2013-2014. This is a total of \$1,482,000 that the Department would not be able to use to sustain nursing facilities and improve services to Medicaid recipients.

Thank you for the opportunity to testify on this bill.