



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

March 27, 2014

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2057, S.D.2 - RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Hearing: Friday, March 28, 2014; 2:00 p.m.
Conference Room 308, 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 DHS has worked collaboratively with the Healthcare Association of Hawaii and the Long Term Care Association on language included in this bill.

The Department requests the appropriation amount of \$12,000,000 be inserted into Section 5 of this bill. The appropriation amount, which does not require any appropriation from

the general funds, will ensure that Hawaii is able to match the maximum amount allowed under federal regulations with federal funds that will benefit Hawaii's nursing facilities statewide.

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 2012-2013 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 exemption of the Nursing Facility Sustainability Program Special Fund from the central services expenses fee assessed under section 36-27 and departmental administrative expenses assessed under section 36-30, HRS will ensure that the fees collected will be used to sustain nursing facilities and benefit Medicaid program recipients.

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.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Friday, March 28, 2014 at 2:00 P.M.
Conference Room 308, State Capitol**

**RE: SENATE BILL 2057 SD2 RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 2057 SD2, which amends Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, 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 2014-2015; also exempts the nursing facility program special fund from central service expenses assessed under section 36-27, Hawaii Revised Statutes.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill helps the state and Hawaii hospitals utilize this program to leverage much needed federal dollars for nursing facilities. A sustainable hospital network and health care industry is vital to the health of our employees, business and our overall quality of life.

Thank you for the opportunity to testify.

finance1

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 27, 2014 4:12 PM
To: FINTestimony
Cc: dgwhite@kauai.gov
Subject: Submitted testimony for SB2057 on Mar 28, 2014 14:00PM

SB2057

Submitted on: 3/27/2014

Testimony for FIN on Mar 28, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Diana Gausepohl-White	County of Kauai Victim/Witness Program	Support	No

Comments: We strongly support this bill.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

**House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair**

Friday, March 28, 2014
2:00 p.m.
Conference Room 308
Hawaii State Capitol

Testimony Strongly Supporting Senate Bill 2057, SD2, Relating to Nursing Facility Sustainability Program. Amends Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, 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 2014-2015. Exempts the nursing facility program special fund from central service expenses assessed under section 36-27, Hawaii Revised Statutes. Effective 6/30/2050. (SD2)

Alice M. Hall
Acting 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 2057 that amends the Act and extends the sunset date of 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

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can receive under the State of Hawaii's Section 1115 waiver. Since the sustainability fee program was put into place, the public hospitals have been able to fully 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 has been realized and the private nursing facilities and the public hospitals as a whole are receiving greater reimbursements than before the sustainability program was implemented.

Thank you for the opportunity to testify before this committee. We respectfully recommend the Committee's support of this measure.

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Friday – March 28, 2014 – 2:00pm
Conference Room 308

The House Committee on Finance

To: Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Strong Support
SB 2057, SD 2 — Relating to the Nursing Facility Sustainability Program

The Healthcare Association of Hawaii (HAH) is a 116-member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for this opportunity to testify in strong support of SB 2057, SD 2, which makes adjustments to the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2015.

The Legislature created this program two years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program 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 the amount of care they provide. Payment is based on the amount of a nursing facility's Medicaid utilization. As such, the fees and payments are different for every nursing facility.

SB 2057, SD 2 is the result of a collaborative effort between the DHS and HAH. Nursing facilities constitute a critical element of the health care continuum, and the majority of residents in Hawaii's nursing facilities are Medicaid enrollees. They are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care.

Thank you for the opportunity to testify in strong support of SB 2057, SD 2.

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Affiliated with the American Hospital Association, American Health Care Association, National Association for Home Care and Hospice,
American Association for Homecare and Council of State Home Care Associations



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

The Hon. Aaron Ling Johanson, Vice Chair

Testimony on Senate Bill 2057, SD2
Relating to the Nursing Facility Sustainability Program
Submitted by Robert Hirokawa, Chief Executive Officer
March 28, 2014, 2:00 pm, Room 308

The Hawaii Primary Care Association supports SB2057, which makes adjustments to the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2015.

The Legislature created this program two years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program 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.

Thank you for the opportunity to testify.