

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

House Committee on Health
Representative Della Au Belatti, Chair
Representative Richard P. Creagan, Vice Chair

House Committee on Human Services
Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair

February 6, 2015
Conference Room 329
8:30 a.m.
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 580, Relating to the Licensure of
Durable Medical Equipment Suppliers**

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

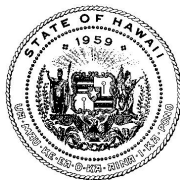
On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **in strong support of** Senate Bill 580, which requires licensure of durable medical equipment suppliers.

The Medicare program implemented a bidding process for the award of contracts to supply durable medical equipment to Medicare patients a few years ago. Unfortunately, the vast majority of the vendors in the program are located on the mainland, which causes logistical and communication problems resulting in delays in receipt of the equipment. Not all vendors who are located here are allowed to provide all types of equipment. Last year, Maui Memorial Medical Center estimated a loss of \$516,096 in one year due to the delays in discharging patients who were not able to obtain the necessary equipment to use at home. (2 day delay x \$1344 room and board rate x 4 patients per week = \$10,752. 52 weeks = \$516,096.). Our other acute facilities are facing similar delays.

More important than the lost revenue is the fact Maui Memorial Medical Center's acute beds have been consistently full for the past year. Patients needing the acute beds are being held in the Emergency Department or elsewhere while patients ready to be discharged but for the needed equipment occupy the acute beds. Therefore, the care of our patients is affected by this delay in the discharge process.

This bill requires that the vendors comply with local licensing regulations administered by the Office of Healthcare Assurance. By adding this requirement, the State can ensure that the vendors meet the needs of the patients and meet explicit standards, including the timely supply of needed equipment.

We strongly support this measure. Thank you for the opportunity to testify.



STATE OF HAWAII
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**Testimony of COMMENTS on House Bill 0580
Relating to the Licensure of Durable Medical Equipment Suppliers**

REPRESENTATIVE DELLA AU BELATTI, CHAIR
REPRESENTATIVE DEE MORIKAWA, CHAIR

HOUSE COMMITTEE ON HEALTH AND
COMMITTEE ON HUMAN SERVICES

Hearing Date: Friday, February 6, 2015 Room Number: 329

1 **Fiscal Implications:** This bill would require general funds to implement and support this new
2 licensure program, and funding would need to continue on an ongoing basis. The Office of
3 Health Care Assurance (OHCA) Special Fund does not currently have sufficient funds to
4 implement or support this new program. Approximately \$225,000 over the next two (2) fiscal
5 years and two (2) new full time, permanent, civil service positions would be required which are
6 not part of the governor's budget proposal.

7 **Department Testimony:** The department supports the intent of this bill with the following
8 COMMENTS, reservations and concerns:

- 9 1. Priorities: OHCA's current licensure programs should be sufficiently supported before
10 adding new licensure programs. While the intent of this bill is laudable, it would divert
11 potential new resources away from the support of OHCA's other licensure programs.
- 12 2. Funding: The OHCA special fund does not currently have a sufficient fund balance to
13 cover the expected start-up expenses. The fund balance at the end of 2014 was
14 approximately \$12,000. The special fund will be used in the future to deposit licensure

1 fees but the implementation of fees has had its own challenges including intervention by
2 Gov. Abercrombie to halt the implementation of fees on certain types of providers.
3 General funds would be required but funds should not be provided at the expense of
4 requested funds under the governor's budget proposal.

5 3. Staffing: this bill allows for one (1) full time position. If the legislature intends for this
6 to be an ongoing program, two (2) positions will be requested and could also be used to
7 help support other current licensure programs - a clinical position similar to other
8 surveyor positions and an administrative support position. Both positions could also
9 support current licensure programs. The bill must also clearly identify these positions as
10 full time, permanent, civil service positions.

11 4. Administrative Rules: the bill requires administrative rules. However, administrative
12 rules should be permitted rather than required. This should enable the department to
13 implement the licensure program based on the statutory requirements more quickly,
14 assuming other funding is found to implement and maintain the program.

15 5. Fairness: the licensure program should be required of all DME providers in Hawaii
16 whether they are a Medicare contractor or not. It would seem that a licensure law
17 requiring licensure of Medicare contractors only would be unfair.

18 **Offered Amendments:** None except as identified above.



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House Committees on Health and Human Services

To: Rep. Della Au Belatti, Chair, HLT Committee
Rep. Richard Creagan, MD, Vice Chair, HLT Committee

Rep. Dee Morikawa, Chair, HUS Committee
Rep. Bert Kobayashi, Vice Chair, HUS Committee

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Support
HB580 — Relating to the Licensure of Durable Medical Equipment (DME) Suppliers

The Healthcare Association of Hawaii's 160 member organizations include all of the acute care hospitals in Hawaii, all public and private skilled nursing facilities, all the Medicare-certified home health agencies, all hospices, all assisted living facilities, durable medical equipment suppliers and home infusion/pharmacies. Members also represent other healthcare providers from throughout the continuum including case management, air and ground ambulance, blood bank, dialysis, and more. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to testify in **support** of HB580, which establishes licensure requirements for durable medical equipment (DME) suppliers participating in Medicare's competitive bidding program through the Department of Health's Office of Healthcare Assurance.

Round 2 of Medicare's DME Competitive Bidding Program began July 1, 2013 in the City and County of Honolulu. Unfortunately, only 13 of the 97 vendors selected were located within the state of Hawaii, leaving the vast majority of vendors incapable of delivering equipment in a timely fashion. These vendors also tend not to have special phone or service hours to account for the time difference in Hawaii. Without access to timely, local services, Medicare beneficiaries in Hawaii have been forced to either wait several weeks, forego necessary DME devices, or purchase such devices out of their own pocket. This restricted access to care has led to reductions in health, increases in preventable admissions and readmissions, increases in costs to beneficiaries, and reduced quality of life for Medicare patients.

It has also negatively impacted hospital, long-term care and hospice facilities by resulting in delays in patient discharge. Lack of locally-available DME supplies also greatly impacts our ability to care for patients in a time of major emergency or disaster. As an isolated island state, it is crucial to have at least a minimal in-state inventory of equipment and supplies. Hawaii historically has only a small inventory of essential devices such as ventilators, infusion pumps and oxygen concentrators.

In prior sessions on similar bills, issues were raised that a state licensure program might further reduce the number of available suppliers. Medicare's competitive bidding program has been designed to ensure that at least five suppliers are available for each product category; if Medicare determines additional suppliers are needed, they may offer contracts to suppliers who previously submitted bids for the program (but were not selected). Further, when a supplier signs a competitive bidding contract, that supplier agrees to all the provisions of the contract, and is not allowed to terminate the contract early without jeopardizing future participation in Medicare.

It is also important to note that this bill would not apply to DME suppliers of Medicare Advantage (MA) plans, as MA does not participate in the competitive bidding program. Such suppliers would continue to negotiate with MA plans directly.

In closing, establishing the licensure program and requiring a physical in-state presence as outlined in this measure would go a long way to assuring that Medicare beneficiaries in Hawaii have timely access to the DME devices they need to maintain their quality of life. We respectfully defer to the Department of Health in determining the amount of resources they would require to carry out the licensing and inspecting duties as outlined in this bill.

Thank you for the opportunity to testify in support of HB580.



To: Representatives Della Au Belatti and Dee Morikawa, Chairs
Representatives Dr. Richard Creagan and Bertrand Kobayashi, Vice Chairs
Members of Health and Human Services Committees

Hrg: Friday, February 6, 2015

Re: **Testimony in STRONG SUPPORT of HB580**

By: Valerie Chang, JD, Executive Director
Hawaii COPD Coalition, www.hawaiicopd.org
733 Bishop Street, Suite 1550, Honolulu, HI 96813
(808)699-9839
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I thank you for this opportunity in STRONG SUPPORT of HB580, which improves access to medical supplies and equipment for patients by requiring all vendors or suppliers who supply Durable Medical Equipment in Hawaii to have a physical presence and full time employee in Hawaii.

My name is Valerie Chang. I am Executive Director of the Hawaii COPD Coalition. Our organization provides services and support to Hawaii's people affected by Chronic Obstructive Pulmonary Disease, more commonly known as emphysema and chronic bronchitis. COPD is now the third leading cause of death in the US and second leading cause of disability. Over 30,800 people in Hawaii have already been diagnosed with COPD and it is estimated that at least 30,800 more people may suffer from COPD but remain undiagnosed. Many of these COPD patients were seduced by tobacco when they were very young and unable to quit the addiction for decades, causing irreparable harm. There are over \$55 million in COPD hospital charges in Hawaii each year.

Your Committees are well aware of the many problems faced by Hawaii patients due to our unique and isolated location, especially in acquiring durable medical equipment like supplemental oxygen. Stories throughout the nation and in Hawaii keep repeating the problems that patients and their families are facing in acquiring supplemental oxygen and servicing of the same in a timely manner. This is literally a matter of life and death of our patients who need supplemental oxygen to keep healthy and out of the hospital and emergency rooms.

Supplemental oxygen reimbursement rates have been cut repeatedly resulting in suppliers offering fewer and fewer options for patients to have for their oxygen use. There are no longer **any** Hawaii suppliers which offer liquid oxygen, which is one of the lightest and most portable forms of supplemental oxygen and allow patients to continue working and remaining active, contributing members of the community. ***Nearly 70% of the 24 million people in the US with COPD are 65 or younger, and in their prime working years.***

It can currently take several days or up to a week or longer to get a portable oxygen concentrator, nebulizer compressor or other equipment from the mainland US to Hawaii. I and other COPD patients have had to send equipment for repair and servicing. It is vitally important that there be a Hawaii presence for patients and families to work with while their equipment is being serviced and maintained. Having reliable means of getting their equipment promptly will allow COPD patients to remain active, productive contributing employees and community members and keep them out of the hospitals and emergency rooms.

Thanks for the opportunity to testify about this issue that is so vital to the health of Hawaii and our nation. This issue is very important to our state and our Hawaii COPD Coalition is very glad that this committee has taken a leadership role in addressing this important matter. Please pass this bill, **HB580**. Thank you.