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March 18, 2015

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Housing

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 583 HD1 - RELATING TO LONG TERM CARE FACILITIES**

Hearing: Thursday, March 19, 2015; 1:45 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of the bill is to provide for an annual inflationary adjustment to long term care facility prospective payment rates for care provided to Medicaid recipients.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure, and offers comment that we are concerned that fixing the rate increase in statute would result in cost implications that may adversely impact priorities of the Executive Budget and limit DHS' ability to adjust the Medicaid budget in response to fiscal downturns and other fluctuations.

S.B. 912 was similar to this measure however this committee amended the measure by "deleting the language that would have increased the long-term care facility prospective payment rate and replacing it with language requiring the Department of Human Services to submit a report to the Legislature every three years that demonstrates long-term care facilities' annual fiscal year costs and reimbursements for Medicaid enrollees as well as the potential impact of increasing the prospective payment rate[.]" and technical amendments.

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The DHS prefers the Senate version. The DHS is concerned that H.B. 583 HD1 proposes to require statutorily, annual Medicaid inflationary rate increases for long term care facilities. The proposed statutory language in this bill will significantly limit the ability of the DHS and the State to adjust the Medicaid budget in response to fiscal fluctuations and would require on-going annual funding, with likelihood of emergency appropriations, to the Medicaid budget.

H.B. 583 HD1 would remove the Department's flexibility in addressing increased costs. While the inflationary adjustment to long term care facilities was suspended in 2011, the nursing facilities have been able to benefit from the Nursing Facility Sustainability Fee Program initiated in 2012. While not meant to supplant inflationary adjustments, the nursing facilities participating in the Nursing Facility Sustainability Fee Program have been able to receive reimbursements to supplement current reimbursements. This fiscal year nursing facilities will be assessed \$10,346,784 in fees and receive back \$21,614,340 in additional reimbursements. In addition, the DHS receives 12% from the sustainability fee (\$1.4 million). The entirety of the 12% that DHS retains is used to restore a portion of a 3% reduction to the long term care facility rates imposed during the State's economic downturn.

The Developmental Disabilities/Individuals with Intellectual Disabilities (DD/IID) facilities received a 1.8% inflation increase this year which was funded through the Department of Health, and rebased rates for the DD/IID facilities will be effective July 1, 2015.

Additionally while the State is able to utilize the Hawaii Health Systems Corporation (HHSC) losses (\$12.3 million in 2014) to certify the State's loss for providing long term care services for Medicaid recipients, the Medicaid program is able to draw down the federal

match portion for those losses (approximately \$6 million) and provide those federal funds back to HHSC.

If the intent of the Legislature is to provide for an annual increase, the DHS respectfully requests that the increase be appropriated through the Executive Budget rather than fixing the rate increase through statute. Allowing for a 1.8% inflationary increase for the long term care facilities would require a total appropriation of \$3,329,530 (\$1,553,559 A Funds/\$1,775,971 N funds). Providing additional appropriation through the Executive Budget will preserve the ability of the DHS to respond to the State's changing fiscal conditions. However, any appropriation passed through this measure to address an annual increase could not replace or adversely impact priorities indicated in the Executive Budget.

Thank you for the opportunity to testify on this bill.



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

LATE

Senate Committee on Human Services and Housing

To: Sen. Suzanne Chun Oakland, Chair
Sen. Josh Green, MD, Vice Chair

From: Ted Tucker, Chief Human Resources & Compliance Officer

Re: **Testimony in Support**
HB583 HD1 — Relating to Long-Term Care Facilities

Thank you for the opportunity to testify in **support** of HB583 HD1, which provides for annual inflationary adjustments to the long-term care reimbursement methodology used to reimburse facilities for Medicaid recipients.

Since 2008, the Medicaid reimbursement rate has only increased by one percent (1%). As a result we have had to negotiate/implement numerous wage freezes and benefit concessions with the three unions that represent 80% of our workforce. As our wages and benefits lag other competitors for nursing talent (eg, Kaiser, HHSC), it is becoming increasingly difficult to recruit and retain the staff necessary to provide safe care. Our employee turnover for licensed nurses doubled in 2014, and we now have a record number of fly-in nurses from the Mainland.

As the costs for labor, food, fuel, supplies, and needed facility repairs all rise year over year, it is not possible for nursing home operators to remain in business and provide critical safety net services in our communities without increases to our single largest revenue source – Medicaid. I respectfully request your support of HB583 HD1.

Mahalo.