



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 25, 2016

TO: The Honorable Jill N. Tokuda, Chair
Senate Committee on Ways and Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB2396 SD 1 - RELATING TO LONG -TERM CARE FACILITIES**

Hearing: Friday, February 26, 2016; 9:40 a.m.
Conference Room 211, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify on this bill and provides comments.

PURPOSE: The purpose of this bill is to preserve access to health care for Medicaid recipients by providing an inflationary adjustment to the long term care reimbursement methodology used to reimburse facilities for Medicaid recipients.

This measure requires an inflationary adjustment statutorily for long term care facilities for one fiscal year. While we appreciate the intent of this measure, the Department is concerned that fixing the rate increase may adversely impact priorities of the Executive Budget, even though the increase is for only one fiscal year. If the legislature were to consider the increase, the DHS respectfully requests that the increase be appropriated through the Executive Budget rather than mandating the rate increase through statute.

Providing the additional appropriation through the Executive Budget would allow for the submission and approval by the Centers for Medicare and Medicaid Services (CMS) of a State Plan Amendment to provide the adjustment for one year. Any rate adjustment for Medicaid can only be provided prospectively upon approval by CMS.

While the annual inflationary adjustment for the Medicaid program is currently suspended, the nursing facilities participating in the Nursing Facility Sustainability Program this

past year were assessed \$10,346,784 in fees and received \$21,614,340 in additional reimbursements.

Thank you for the opportunity to testify on this measure.



ALOHA NURSING REHAB CENTRE

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February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Amy Lee
Administrator
Aloha Nursing Rehab Centre

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Aloha Nursing Rehab Centre is a 141-bed Skilled Nursing Facility located in Kaneohe, ministering to the needs of 450 seniors and their families annually and employing 190 dedicated staff. For thirty years, Aloha Nursing has been contributing positively to the community and to the state economy.

Aloha Nursing Rehab Centre would like to thank the committee for the opportunity to support SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

Despite being a State Medicaid Plan requirement, annual inflationary updates have not been paid by Medicaid essentially since 2009 (except when a partial adjustment was provided in 2011). The lack of inflationary updates has left nursing facilities with reimbursements locked in at 2009 rates at a time when, seven years later, operating costs for wages, health insurance and utilities have increased significantly. Without proper inflationary adjustments to reimbursements, nursing facilities must face the difficult choice of declining patient admissions and/or shutting down services to remain financially viable. This will have a significant impact to Hawaii's broader health care system as these patients would then remain in acute hospital beds awaiting placement in alternative care settings.

According to data prepared by the Healthcare Association of Hawaii, the suspension of inflationary updates since 2009 has resulted in nearly \$78 million in lost reimbursement for the care of our seniors. Of this amount, roughly \$41 million are foregone federal matching funds which could have been drawn down for the benefit of serving our seniors.

During the past seven years, Aloha Nursing has continued to provide quality of care to our residents as well as maintained our facility to ensure residents are cared for in a safe environment. This has come with significant sacrifices on behalf of our company in terms of profits, suffering losses for most of the past seven years. Employee wages have also remained flat. We cannot continue to operate and be financially viable if DRI is not restored.

We desperately need this measure to continue to provide for the frail, vulnerable seniors and convalescent disabled in our community in a manner they deserve. Thank you for the opportunity to submit testimony on this critical legislation.

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Alisa Racelo
Administrator
Ann Pearl Rehabilitation and Healthcare

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Ann Pearl Rehabilitation and Healthcare Center, is a 104 bed skilled nursing facility in business for over 50 years.

I would like to thank the committee for the opportunity to testify in **support** of SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Our facility has over 70 percent of our patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational costs that our facility experience is not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. We have seen a change in the demographics at their facilities. Now, we are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, we care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Jan Shishido
Administrator
The Clarence T.C. Ching Villas at St. Francis

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

The Clarence T.C. Ching Villas at St. Francis (the Villas) is a 119 bed skilled nursing facility located on the St Francis Liliha campus.

I would like to thank the committee for the opportunity to testify in **support** of SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—in some cases, facilities have 70-80 percent of their patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records.

It is clear that these facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Some of our members have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities,

namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. Many providers have seen a change in the demographics at their facilities. Now, they are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, many of our LTC providers care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



February 26, 2016 at 9:40 AM
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Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Lornette Correa
Administrator
Puuwai O Makaha

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Hale Kupuna Heritage Home is a 84 bed skilled nursing facility serving the island of Kauai.

I would like to thank the committee for the opportunity to testify in **support** of SB 2396 HD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Our facility has almost 90 percent of our patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational costs that our facility experiences is not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. Securing this inflationary update would be very beneficial for neighbor island providers such as Hale Kupuna to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. We have seen a change in the demographics at their facilities. Now, we are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, we care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



February 26, 2016 at 9:40 AM
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Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: George Greene
President and CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 180 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

The Healthcare Association of Hawaii would like to thank the committee for the opportunity to **support** SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—in some cases, facilities have 70-80 percent of their patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage

updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records.

It is clear that these facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Some of our members have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

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This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



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February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Bronson Ho
Administrator
Kauai Care Center

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

Kauai Care Center would like to thank Chair Tokuda, Vice Chair Dela Cruz, and the members of the Senate Committee on Ways and Means for the opportunity to testify in support of SB 2396 SD 1, Relating to Long-Term Care Facilities. Kauai Care Center is a 53 bed Skilled Nursing Facility, located in Waimea, Kauai. We care for almost 53 residents every day and employ more than 70 compassionate staff members. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

At Kauai Care Center, more than 70% of our residents are covered by Medicaid. Due to our high enrollment of Medicaid residents and not having an inflationary increase to our Medicaid rate since 2009, we are uncertain how much longer we will be able sustain delivering the high quality of care to our community. The impact of not having an inflationary increase to our Medicaid rates not only impacts our facility, but it also impacts our entire state's continuum of care. It will help other struggling facilities and also help to address the waitlist issue our hospitals are struggling with

Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



MAUNALANI NURSING AND REHABILITATION CENTER

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February 26, 2016 – 9:40 a.m.
Conference Room #211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Patty Akina
Business Manager
Maunalani Nursing and Rehabilitation Center

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Maunalani Nursing and Rehabilitation Center is a private, 100 bed skilled nursing and rehabilitation center, providing both rehab services and long term care for over 65 years. Our facility work closely with hospitals to continue the care of our growing senior population who need placement in sub-acute care nursing homes with continued skilled nursing services.

Thank you for the opportunity to testify in **support** of SB 2396, which would provide a modest annual inflationary adjustments to the long-term care reimbursement methodology used to reimburse facilities for Medicaid recipients.

As a long-term care facility in Hawaii, we continue to face major financial challenges in providing quality healthcare to Hawaii residents. Payments for Medicaid enrollees do not cover the actual cost of care. Costs continue to rise, however, reimbursements rates have not kept up. With the suspension of the inflationary adjustments for a number of years, this has only widened the gap between costs and reimbursements. The Nursing Facility Sustainability Program, which was suppose to mitigate Medicaid losses, has actually increased our Medicaid loss, as our facility pays a substantial Provider Tax every month in excess of Sustainability reimbursements. For our FY2015, our facility incurred a financial loss of over 43% of our net revenue from the care of our Medicaid residents.

Additionally, the complexity of the patients needing nursing home care are increasing, so nursing home facilities are under pressure to upgrade everything from physical structures to nursing staffing in order to provide quality care to more complex patients. With the rising cost of long term care, more families in turn need to turn to programs like Medicaid in order to afford care for their aging loved ones.

This legislation presents a common-sense way to use available federal resources to support nursing facilities in our care of our growing senior population. We appreciate your consideration of this important matter, and urge your support of this measure.



February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Richard S Kishaba
President and CEO
Ohana Pacific Management Company, Inc.

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

Ohana Pacific Management Company, Inc. (OPMC) which owns and operates five post-acute care facilities servicing more than 500 patients on Oahu and Kauai as well as an adult day health program and home health agency on Kauai.

OPMC is the largest privately owned post-acute health care provider in the state and strives to provide the highest quality of post-acute care to the Hawaii population. Our foundation for delivery of care encompasses many aspects but quality is the main driver.

Ohana Pacific Management Company would like to thank the committee for the opportunity to testify in **support** of SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Many LTC facilities in Hawaii have a patient population that is predominantly enrolled in Medicaid—our facilities have 70-80 percent of patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational losses that these facilities experience are not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage

updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records.

It is clear that these facilities are finding it increasingly difficult to make ends meet because of the lack of an inflationary update from Medicaid. Some of our members have already started to cut back on services, including closing down beds. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting our rural areas, where access to long-term care services can be very limited. Securing this inflationary update would be very beneficial for neighbor island providers to ensure that residents have access to needed long-term care services.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. Many providers have seen a change in the demographics at their facilities. Now, they are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, many LTC providers, including ours, care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.

February 26, 2016 – 9:40 a.m.
Conference Room 211



Senate Committee on Ways and Means

To: Jill Tokuda, Chair
Donovan Dela Cruz, Vice Chair

From: Dee Robinson
Administrator for One Kalakaua Senior Living

Re: **Testimony in Support**
SB 2396 SD 1 - Relating to Long-Term Care Facilities

Thank you for the opportunity to testify in **support** of SB 2396 SD 1, which provides relief to long-term care facilities in Hawaii by increasing the Medicaid rates they receive, via an inflationary update. These facilities have gone without an inflationary increase since 2009, and long-term care facilities in the state continue to face major financial challenges on a daily basis to provide quality healthcare to Hawaii residents and our kupuna. These challenges are exacerbated for those that serve Medicaid enrollees as current payments do not cover the actual cost of care.

Facilities are faced with increased costs for supplies and labor. It becomes very difficult to recruit and retain competent, properly trained healthcare staff when the staff can only look forward to stagnant wages and reduced benefits. This affects the entire healthcare industry as a whole, as our quality staff are now leaving our facilities and kupuna, to look at other career paths outside of the healthcare industry. There are also more and more regulatory requirements that are directed at facilities, which without proper funding can be very challenging to meet.

Implementing this much needed inflationary adjustment is absolutely **critical** for these facilities to continue to provide the highest quality of care to our kupuna.

Thank you for the opportunity to testify in **support** of SB 2396 SD 1.



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February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda

Vice Chair Donovan M. Dela Cruz

From: Beryl Muramatsu

Nursing Facility Administrator

Harry & Jeanette Weinberg Care Center – Pohai Nani

Re: Testimony in Support

SB 2396 SD 1, Relating to Long-Term Care Facilities

The Harry & Jeanette Weinberg Care Center is the 44-bed certified skilled nursing facility of Pohai Nani – a Senior Living Community in Kaneohe that is home to more than 270 seniors. Providing quality care for more than 40 years, our nursing facility provides for the short-term rehabilitation, hospice, and long term care needs of both residents of the Pohai Nani campus and as well kupuna from the broader community.

Our calling to provide quality health care within an enriched, homelike environment is constantly challenged by increasing operational costs and regulatory requirements. These challenges are complicated by decreasing reimbursement for what has become highly technical care for a fragile, compromised population.

With Medicaid reimbursement substantially below nursing facility operational expenses, we are in support of this measure to restore the nursing facility inflationary increase. Restoration of the increase will at least in part mitigate meager Medicaid reimbursements. With just 44-beds, our comparatively small nursing facility could not cover essential operating expenses if our revenues were solely dependent upon Medicaid reimbursement.

We appreciate your consideration of this important matter and urge your support of this measure.

In Christ's Love, Everyone Is Someone.

February 26, 2016 at 9:40 AM
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Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Mary Beth Santoro
Administrator
Puuwai O Makaha

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Puuwai O Makaha is a 93 bed skilled nursing facility serving the communities of the Waianae Coast for over 40 years.

I would like to thank the committee for the opportunity to testify in **support** of SB 2396 SD 1. This legislation would provide relief to long-term care facilities (LTC) in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017 that would require \$1.9 million in funding that would be matched with federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation. Our facility has almost 80 percent of our patients covered by Medicaid. Because of the high enrollment of Medicaid patients, the operational costs that our facility experiences is not sustainable, but could be offset through the provision of the inflationary update. Moreover, providing this inflationary update will benefit the entire continuum of care in the state by supporting struggling state facilities and helping to address the waitlist issue that hospitals continuously struggle with.

The most immediate impact of providing this modest increase will be relief to LTC providers in the state. Because the costs of serving patients have increased without an attendant increase in reimbursements, facilities are having to cut back on services and perquisites. Front-line medical staff in these facilities have experienced stagnant wages or reduced benefits, leading to trained, experienced staff seeking employment elsewhere. Administrators are also struggling to provide wage updates required in contracts or by the state-wide minimum wage increase. Other facilities have cut back on maintenance in order to meet unfunded federal and state mandates, such as keeping a primary care physician on staff or installing electronic health records. Reduction in services is also affecting state facilities, namely Leahi Hospital and Maluhia nursing home. As reported in the news, both of those facilities are experiencing significant financial difficulties that would be mitigated through the provision of this inflationary update. This issue is also affecting rural areas such as ours, where access to long-term care services can be very limited.

These reductions in service in turn exacerbate the current waitlist issue at Hawaii hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisting patients is very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed in an emergency.

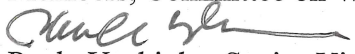
Investing in our LTC facilities is critical. The conventional wisdom holds that, since Hawaii has the fastest-aging population in the nation, this funding is needed to ensure to help ensure that seniors maintain access to services. This remains true. However, it should also be noted that LTC facilities are increasingly taking care of the non-elderly. We have seen a change in the demographics at their facilities. Now, we are treating more working age individuals who are recovering from substance abuse or who lack supportive services that are social determinants of health. For example, we care for homeless individuals experiencing serious, but not acute, medical issues.

This legislation presents a common-sense way to use available federal resources and support our growing senior population. Passage of this program is critical in helping Hawaii's nursing facilities *mitigate* their Medicaid losses. It is important to note that not all of the losses incurred by nursing facilities caring for Medicaid enrollees are made up for by other programs, such as the Nursing Facility Sustainability Program.

We appreciate your consideration of this important matter and urge your support of this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair
Members, Committee on Ways and Means


From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: February 25, 2016
Hrg: Senate Committee on Ways and Means Hearing; Friday, February 26, 2016 at 9:40am in Room 211

Re: **Strong support for SB 2396, SD1, Relating to Long-Term Care Facilities**

My name is Paula Yoshioka and I am a Senior Vice President at The Queen's Health Systems (Queen's). I would like to express my **strong support** for SB 2396, SD1, Relating to Long-Term Care Facilities. This bill provides an inflationary adjustment to the methodology used to reimburse facilities for the long-term care of Medicaid recipients.

At Queen's we believe that providing adequate funding for long-term care facilities (LTCs) is important for a robust health care system in Hawaii. After a patient transitions out of the acute-care system, LTCs step in to provide sub or post-acute medical and personal care for patients who are unable to manage independently in the community.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief for these providers by increasing Medicaid reimbursements slightly to reflect inflation.

Providing this inflationary update will benefit the entire continuum of care in the state by helping to address the waitlist issue for hospitals. A patient is waitlisted when they no longer require an acute level of care but cannot be placed in an appropriate facility offering sub- or post-acute care. As a result, patients who do not need to be in the hospital end up staying for extended periods of time. Waitlisted patients are very costly for the health care system since patients are receiving care in the most expensive setting. It also means that patients needing an acute level of care may not be able to access a hospital bed if census is full and waitlisted patients occupy acute care beds. At the Queen's Medical Center Punchbowl, we average between 40 to 70 patients a day who are waitlisted to be placed into post-acute care settings. Thus the need for adequate long term care facility funding is vital for patients who need this level of care.

Thank you for your time and attention. I urge you to support this important measure.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.



February 24, 2016

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Connie Miller, Administrator
Hale Makua Wailuku

Re: Testimony in **Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities
February 26, 2016, 9:40am, Conference Room 211

Thank you for the opportunity to testify in **support** of SB 2396 SD1. As the Administrator of Hale Makua Wailuku, a Maui nursing home with a capacity for 90 Kupuna, I urge you to support this bill.

Nursing homes in Hawaii have gone without an inflationary increase to our Medicaid rates since 2009. As you are well aware, costs including food, medicine, employee health insurance, workers' compensation, and wages have been increasing year after year. At Hale Makua, however, we have been unable to keep up with increasing wages and have repeatedly been on the brink of a labor strike over our inability to give our valuable employees suitable cost of living increases.

At my nursing home in Wailuku, 83% of all our residents are on Medicaid. We do not turn away people in need because they are on Medicaid. However, the Medicaid reimbursement is less than our costs for providing care. We have done all we can to cut expenses, but without the inflationary increase, our labor challenges will continue to worsen. Not only are we not able to provide the kinds of wages our employees deserve, we are having a very hard time recruiting for numerous openings due to our inability to compete with wages offered by other employers. Additionally, our delayed maintenance continues to add up, and our year-over-year losses continue to drain our limited reserves.

This legislation would provide relief to long-term care facilities in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017. The increase would require \$1.9 million in state funding, which would be matched with federal dollars.

This legislation presents a common-sense way to use available federal resources to support Hawaii's Kupuna; a population that is growing quickly.

I urge you to support Hawaii's long-term care providers and the Kupuna they serve by voting in favor of SB 2396 SD 1. Thank you for your consideration.



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses and our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396.

Sincerely,
Melvin T. Kawano

Board Member,
Hale Makua Health Services



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

Thank you for this opportunity to testify in **support** of SB 2396.

Nursing homes in Hawaii have gone without an inflationary increase to our Medicaid rates since 2009. As you are well aware, costs including food, medicine, employee health insurance, and demands for higher wages have been increasing year after year. At Hale Makua, however, we have been unable to keep up with increasing wages and have been on the brink of numerous labor strikes over our inability to give our valuable employees needed cost of living increases.

Since 2009, Hale Makua has had to make serious cutbacks in order to keep our doors open. Some examples include:

- i. Layoffs and position reductions
- ii. Wage freezes for up to 5 consecutive years
- iii. Benefits elimination: In 2012, Hale Makua resorted to freezing its defined benefit pension plan that provided for stable income to our retirees.

As a result of stagnating wages and reduced benefits, Hale Makua has had great difficulty recruiting and retaining staff, especially in critical clinical positions like registered and licensed practical nurses, dietitians, nurse aides, and physical therapists.

It simply is not reasonable to expect providers to operate and their employees to work at the same levels of pay in perpetuity. A six year freeze on our reimbursement has been hardship enough. This legislation would provide relief to long-term care facilities in Hawaii by increasing their Medicaid rates through a modest inflationary update in fiscal year 2017. This would amount to around \$1.8 million in funding, or 0.2 percent of

the general funds the administration is requesting for Medicaid payments in fiscal year 2017.

This legislation presents a common-sense way to use available federal resources to support Hawaii's kupuna, a population that is growing quickly, and their hard-working care givers.

I urge you to support Hawaii's long-term care providers and the kupuna they serve by voting in favor of HB 1943.

Sincerely,

A handwritten signature in black ink, appearing to read "Ted Tucker", with a long horizontal flourish extending to the right.

Ted Tucker, MA, SHRM-SCP, SPHR
Chief Human Resources & Compliance Officer
Hale Makua Health Services



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses and our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396.

Sincerely,

Catherine Nobriga Kim
Board Member
Hale Makua Health Services



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

**February 26, 2016 at 9:40 AM
Conference Room 211**

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

**Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities**

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses and our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396.

Sincerely,

Maria A. Unemori
Board Member,
Hale Makua Health Services



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

From: Tony Krieg, C.E.O

Re: **Testimony in Support**
SB 2396 SD 1, Relating to Long-Term Care Facilities

As you know, The State Department of Human Services decided to freeze the Medicaid rate inflation factor in 2009. It is still called for in the State's Medicaid Plan. This freeze has had a significant negative impact on Hale Makua Health Services. As Maui's primary nursing home provider, we rely on a considerable amount of Medicaid revenues as nearly 80% of our residents are Medicaid beneficiaries. As a result of no increase in our Medicaid revenues, Hale Makua Health Services has not been able to keep up with the rising cost of labor, food, medicine, and employee health insurance.

We have made difficult decisions to defer maintenance of our facilities, and find it nearly impossible to keep up with any additional costs that are not reimbursed. For example, since 2010, nearly all of the primary care physicians in the Maui community no longer admit to Maui Memorial Medical Center or to Hale Makua's nursing homes. Without a physician willing to admit, attend and take call from our nursing staff, no one on Maui who needed admission to our nursing homes could be discharged from Maui Memorial. As a non-profit community based organization our board felt it our duty to make sure that Maui's only hospital was able to continue to discharge patients to our facilities. Therefore, we made the difficult but necessary decision to absorb the cost of flying in temporary physicians from the Mainland every 4-6 months to make sure that the flow of patients from the community and Maui Memorial Hospital could continue to be admitted to Hale Makua's nursing homes. We currently admit 25-30 patients a month from Maui Memorial and the community. Medicaid reimbursement does not recognize the \$350,000 to \$400,000 annual expense to provide this physician coverage

This legislation presents a common-sense way to use available federal resources and support our growing senior population and Maui Memorial Medical Center. Passage of this program is critical in helping Hale Makua Health Services *mitigate* our year over year Medicaid losses and continue our tradition of serving the Maui community.



OAHU REGION HAWAII HEALTH SYSTEMS CORPORATION

Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

February 26, 2016
Conference Room 211
9:40 AM
Hawaii State Capitol

Derek Akiyoshi
Oahu Region CEO
Hawaii Health Systems Corporation

Re: Testimony in Support
SB 2396 SD1, Relating to Long-Term Care Facilities

We would like to thank Chair Tokuda and Vice Chair Dela Cruz for providing us with the opportunity to testify in support of SB 2396 SD1. This proposed legislation would provide much needed relief to long-term care facilities (LTC) in Hawaii through a modest increase to the Medicaid reimbursement rates for fiscal year 2017 that would be accompanied by matching federal dollars.

LTC providers in Hawaii have gone without an inflationary increase to their Medicaid rates since 2009, despite rising costs and greater regulatory requirements over the years. This legislation would provide some relief by increasing Medicaid reimbursements slightly to reflect inflationary costs which had to be absorbed by our respective operating budgets. In terms of the Oahu Region in particular, we believe that this legislation could have a significant impact on our operational deficits given that approximately 90 percent of our patient population is covered by Medicaid. Needless to say, the high percentage of Medicaid patients at our facilities, Leahi Hospital and Maluhia, coupled with the level of care and length of stay required for each patient, all contribute to the operational losses that the Oahu Region is currently experiencing. These losses are not sustainable and the increase in the reimbursement rate could assist us by partially offsetting these losses.

Because the costs of serving our patients have increased without an associated increase in reimbursements, we have had to cut back on services by downsizing our operations and implementing a reduction in work force. Both Leahi Hospital and Maluhia are experiencing significant financial difficulties and providing us with this increase will help to ensure that we can still deliver high quality care to our most vulnerable residents.

This legislation presents a common-sense approach to maximize the use of available federal funding to support our growing senior population. We appreciate your consideration of this important legislation, and respectfully urge your support for this measure.



HALE MAKUA HEALTH SERVICES

COMPASSION COMMITMENT COMMUNITY

February 26, 2016 at 9:40 AM
Conference Room 211

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

Re: Testimony in Support
SB 2396 SD 1, Relating to Long-Term Care Facilities

Hale Makua Health Services is a 70 year old non profit that operates two nursing homes totaling 344 beds on the Island of Maui. We are the major discharge point from Maui Memorial Medical Center for those who need post acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid program. We have not received an inflationary updates to Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked hard as a board to reduce expenses and our year over year losses continue to drain our limited reserves. This legislation is critical to our ability to continue to be part of the safety net that serves the frail and vulnerable in our community. Thank you for the opportunity to testify in favor of SB 2396.

Sincerely,

Board Member,
Hale Makua Health Services

Senate Committee on Ways and Means

To: Chair Jill N. Tokuda
Vice Chair Donovan M. Dela Cruz

Re: **Testimony in Support**
SB 2396 SD1, Relating to Long Term Care Facilities

Hale Makua Health Services on Maui is a 70 year old not for profit organization that operates two nursing homes totaling 344 beds. We are the major discharge point from Maui Memorial Medical Center for those who need post-acute care. Seventy to eighty percent of our patients are paid for by the State Medicaid Program. We have not received any inflationary updates to our Medicaid reimbursement in many years. As this legislation points out, the gap between rising costs and reimbursement for care has widened considerably. We have worked very hard as a board to reduce expenses but our year over year losses continue to drain our somewhat limited reserves. This legislation is critical to our ability to continue to be a part of the safety net that serves the frail and vulnerable in our community.

Thank you for the opportunity to testify in favor of SB 2396.

Sincerely,

ROY SAKAMOTO
Hale Makua Health Services Board Member and Treasurer