

**STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES**

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

March 1, 2015

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

FROM: Rachael Wong, DrPH, Director

SUBJECT: **S.B. 262 HD 1 - RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Hearing: Monday, March 2, 2015; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is to continue the Nursing Facility Sustainability Program for an additional year, appropriate funds out of the Nursing Facility Program Special Fund. Appropriates funds out of the Nursing Facility Sustainability Program Special Fund for Fiscal Year 2015-2016.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this measure that proposes to extend the Nursing Facility Sustainability Program for another year. The DHS and the Healthcare Association of Hawaii have worked collaboratively on the Nursing Facility Sustainability Program Fund and this bill will continue to help sustain nursing facilities so that there will be continued access to needed resources by the residents of the State.

This measure also preserves the exemption from section 36-27, Hawaii Revised Statutes (HRS) and section 36-30, HRS. Without these two exemptions from the Central Services expenses fee (section 36-27) and the Department Administrative expenses fee (section 36-30),

the Nursing Facility Sustainability Program will have to pay \$600,000 in Central Services expenses assessed under section 36-27 and \$120,000 for Departmental Administrative services expenses assessed under section 36-30 for state fiscal year 2016. This is a total of \$720,000 that the DHS will not be able to use for direct services that would help sustain nursing facilities and improve services to Medicaid recipients.

The Nursing Facility Sustainability Program fee is levied on non-governmental nursing facilities and the revenue from the program fee is used to leverage federal funds and increase reimbursements 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.

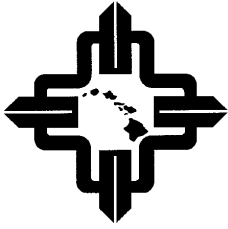
In fiscal year 2012-2013, the nursing facilities were assessed \$11,535,405 in sustainability fees and received \$21,086,740 in additional reimbursement; in fiscal year 2013-2014 nursing facilities were assessed \$11,436,642 and received \$20,906,201 in additional reimbursement. In fiscal year 2014-2015 it is anticipated that the nursing facilities will be assessed \$10,346,784 in fees and receive \$21,614,340 in additional reimbursements.

The DHS utilized the entire 12% (\$1.4 million) of the sustainability fees authorized for use by the DHS to fund a portion of the restoration of the 3% reduction in reimbursement rates for the nursing facilities. Additional general funds were required to pay the entire amount of the 3% reduction.

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, the DHS retained \$1.37 million to provide \$2.8 million in increased reimbursement and in fiscal year 2014-2015 the DHS anticipates retaining approximately \$1,410,000 in sustainability fees to

improve services for Medicaid program recipients and increase reimbursement to the nursing facilities by \$3.5 million.

Thank you for the opportunity to testify on this bill.



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

"Quality Healthcare For All"

**Senate Committee on Ways and Means
Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair**

March 2, 2015
Conference Room 211
9:00 a.m.
Hawaii State Capitol

**Testimony Supporting Senate Bill 262, SD1, Relating to the Nursing Facility Sustainability Program
Amends Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, as amended by Act 124, Session Laws of Hawaii 2014, to continue the Nursing Facility Sustainability Program by extending the sunset date of the Act and appropriating funding out of the nursing facility sustainability program special fund for fiscal year 2015-2016.**

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 support of SB 262, SD1, that continues 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 MedQUEST 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 program. 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 can receive under the State of Hawaii's Section 1115 waiver. As a matter of public policy, the public hospitals should be allowed to 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 may be realized and the private nursing facilities and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

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



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Monday, March 2, 2015 at 9:00 A.M.
Conference Room 211, State Capitol**

**RE: SENATE BILL 262 SD1 RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 262 SD1, which amends Act 156, Session Laws of Hawaii 2012, as amended by Act 142, Session Laws of Hawaii 2013, as amended by Act 124, Session Laws of Hawaii 2014, to continue the Nursing Facility Sustainability Program by extending the sunset date of the Act and appropriating funding out of the nursing facility sustainability program special fund for fiscal year 2015-2016..

The Chamber is the largest business organization in Hawaii, representing about 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.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

Senate Committee on Ways and Means

The Hon. Jill N. Tokuda, Chair

The Hon. Ronald D. Kouchi, Vice Chair

Testimony on Senate Bill 979 SD 1
Relating to the Nursing Facility Sustainability Program
Submitted by Nani Medeiros, Public Affairs and Policy Director
February 27, 2015, 9:00 am, Room 211

The Hawaii Primary Care Association supports Senate Bill 262, which makes adjustments to the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2016.

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.



Monday, March 2, 2015 – 9 a.m.
Conference Room #211

Senate Committee on Ways and Means

To: Senator Jill Tokuda, Chair
Senator Ron Kouchi, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: **Testimony in Support**
SB262 SD1— Relating to the Nursing Facility Sustainability Program

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 SB262, which extends the sunset date of the Nursing Facility Sustainability Program to June 30, 2016.

The Legislature created this program three 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.

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 support of SB262.



THE QUEEN'S HEALTH SYSTEMS

To: Chair Jill Tokuda
Vice Chair Ron Kouchi
Senate Committee on Ways and Means

From: Paula Yoshioka
Senior Vice President
The Queen's Health Systems

Re: SB 262 SD 1, Relating to the Nursing Facility Sustainability Program
Hearing—March 2, 2015 at 9:00 AM

The Queen's Health Systems would like to express strong support for the Nursing Facility Sustainability Program. We would also like to stand behind the Healthcare Association of Hawaii's testimony regarding SB 262 SD 1.

The Nursing Facility Sustainability Program issues a fee on nursing facilities in the state. The revenue generated by this fee is used to draw down matching federal funds. Nursing facilities, in turn, receive an increased reimbursement rates from the state based on the number of Medicaid patients they serve.

Nursing facilities in Hawaii are an integral part of the continuum of care that our community relies on. Extending this program for another year will help to ensure that our most underserved families have access to needed care.

Thank you for your time and consideration of this matter.

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.