An Independent Licensee of the Blue Cross and Blue Shield Association

March 3, 2015

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

Re: SB 307, SD1 – Relating to Health

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 307, SD1, which would establish licensure requirements for durable medical equipment (DME) suppliers. HMSA has grave concerns with this Bill.

It has long been HMSA's mission to improve the health and well-being of our members and for all the people of Hawai`i. But, we also are cognizant of the need to provide services and products our members demand, in the most efficient way. We need to do our part to contain the cost of Hawaii's health care system.

HMSA has concerns with this Bill because it will drive up costs for all of our plans and not only the Medicare plans. . Under the original Medicare program, purchases of DME must be made exclusively from the list of vendors secured under the CMS DME procurement contract. This Bill will require all DME vendors to be licensed and have a physical local presence. Since the Bill applies to all DME vendors, it will drive up costs. Not only for Medicare members, but for our commercial, QUEST, EUTF, and ETUF retiree plans, as well as our MA plans. This legislation will:

- Reduce competition
- In some cases, effectively create monopolies; and
- Worst of all, potentially eliminate the availability of any vendor for a particular DME. Some devices are only supplied by a few DME vendors, and Medicare will deny claims from non-Medicare-procured vendors. Should a Medicare-approved vendor choose not to have a local presence, as is required under the Bill, beneficiaries may lose access to those devices.

We understand the main concern of the proponents of this measure is a lack of timely accessibility to DME, and there is a belief that a vendor with local presence will resolve that problem. We are informed that there are certain DME that vendors simply will not store locally or already have decided not to offer. Consequently, the concern will not be addressed by this Bill.

HMSA believes in the importance of ensuring cost-effective access to quality DME from suppliers that members can trust. HMSA has concerns with this Bill because it will have the immediate effect of reducing competition and, consequently, driving-up the cost of health care for our members and the State. Simply put, this Bill is not consumer friendly.

An Independent Licensee of the Blue Cross and Blue Shield Association

Thank you for allowing us to testify on SB 307, SD1, and you consideration of the concerns we have raised is appreciated.

Sincerely,

Jennifer Diesman
Vice President, Government Relations

HPCA
HAWAI'I 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 307 SD 1

Relating to Health
Submitted by Nani Medeiros, Public Affairs and Policy Director
March 3, 2015, 9:10 am, Room 211

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports Senate Bill 307, establishing licensure requirements for durable medical equipment suppliers.

In Hawaii there is an extreme dearth of access to durable medical equipment. This shortage often times leads to the foregoing of necessary devices, resulting in reductions in health, increases in preventable admissions, and increases in costs to patients and the system as a whole. This bill hopes to alleviate that by providing a system of annual inspection that will make participation in the national program easier for local providers.

For this reason we support Senate Bill 307 and thank you for the opportunity to testify.

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Hawaii Association of Health Plans

March 2, 2015

The Honorable Jill Tokuda, Chair
The Honorable Ronald Kouchi, Vice Chair
Senate Committee on Ways and Means

Re: SB 307 SD1 – Relating to Health

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

The Hawai'i Association of Health Plans (HAHP) respectfully submits comments in opposition of SB 307 SD1, that establishes a licensure requirement for durable medical equipment suppliers through an annual inspection by the office of health care assurance.

HAHP has in the past opposed similar legislation primarily because of the possible unintentional effect of causing suppliers not to participate in Hawaii's marketplace due to the additional regulations and fees that would accompany passage of this measure. In effect, the bill undermines existing Medicare procurement policy thus reducing competition and driving up costs for Medicare recipients.

We would also draw the Committee's attention to the possible effect that this bill would have on creating a monopoly in certain situations if suppliers choose not to compete in Hawaii.

The concerns raised by the Department of Health with regard to the Department's ongoing expense derived from administering this program, as well as whether there is adequate staff currently to execute this measure, are also worth considering should this measure advance.

Thank you for allowing HAHP to testify on SB 307 SD1.

Sincerely,

Wendy Morriarty
Chair, HAHP Public Policy Committee

Cc: HAHP Board Members

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 307, Relating to Health
Hearing—March 3, 2015 at 9:10 AM

The Queen's Health Systems would like to provide support for legislative efforts that will increase the quality of services provided to our patients need durable medical equipment.

Like many other facilities, we have had issues with durable medical suppliers who compete in the Medicare national competitive bidding program. Many of the suppliers participating in this program are located thousands of miles from Hawaii. Because of the large distances and time differences, it is often hard for our staff to engage with these suppliers to even check on the status of previously placed orders. We have many cases where our staff is unable to contact vendors to obtain needed equipment and many contracted vendors are unable to fulfill our orders in a timely fashion.

The many issues we have had with these contracted vendors has directly and negatively impacted the quality of care our patients receive. This happens because of delayed discharges to the appropriate settings and, sometimes, because the right equipment is simply not delivered.

We would ask for your support to ensure that Hawaii residents are able to get the highest possible quality of care. Thank you for your time and consideration of this matter.

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 3, 2015
Conference Room 211
9:10 a.m.
Hawaii State Capitol

Testimony Supporting Senate Bill 307, SD1, Relating to Health (Licensure; Durable Medical Equipment; Office of Health Care Assurance; Appropriation)

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** Senate Bill 307, SD1, which establishes licensure requirements for durable medical equipment suppliers through an annual inspection by the office of health care assurance and appropriates funds from the office of health care assurance special fund to administer the durable medical equipment licensing program.

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 who are 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.

We support the changes in SD1, particularly to place the equipment vendors within local licensing regulations administered by the DOH, Office of Healthcare Assurance.

By adding this licensing and oversight requirement, the State can better ensure that the vendors meet the needs of the patients and meet explicit standards, including the timely supply of needed equipment.

We support this measure with the changes noted in SD1. Thank you for the opportunity to testify.

Healthcare Association of Hawaii

Tuesday, March 3, 2015 – 9:10 a.m.
Conference Room #211

Senate Committee on Ways and Means

To: Sen. Jill Tokuda, Chair
Sen. Ron Kouchi, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Testimony in Support
SB307 SD1 — Relating to Health

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 SB307 SD1, which establishes licensure requirements for durable medical equipment (DME) suppliers through the Department of Health's Office of Health Care 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.

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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 hearings on this bill, issues were raised that a state licensure program might reduce competition by limiting the number of suppliers servicing the Hawaii market. 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.

We have also learned that since Medicare's competitive bidding program began around two years ago, a total of 17 states have since instituted varying licensure requirements on DME suppliers. At this time last year, we were only aware of one state (Tennessee) that had such a program in place. Clearly, more and more states that make up the contiguous 48 are implementing legislative remedies to address this growing problem. 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.

Thank you for the opportunity to testify in support of SB307 SD1.

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March 2, 2015

Sen. Jill Tokuda, Chair
Sen. Ron Kouchi, Vice Chair
Senate Committee on Ways and Means

Patrick Harrison
Department of Social Services
Aloha Nursing Rehab Centre

Re: Testimony in Support: SB307 SD1 – Relating to Health

Aloha Nursing Rehab Centre is a skilled nursing facility licensed for 141 Medicare/Medicaid beds located in Kaneohe, Hawaii. Our skilled nursing facility has been in operation since 1988, and continues to provide skilled nursing services for individuals transitioning out of the hospital and back into the community in addition to other services including Hospice, respite, intermediate, and adult day care. In the past five years, patient admissions have continued to increase from hospitals [**Figure 1**], while discharges have also increased [**Figure 2**], resulting in much higher patient turnover rate with a lower patient occupancy rate. Moreover, Medicare days continue to have an increasing trend from patients at our facility since the implementation of the Round 2 Medicare's DME Competitive Bidding Program in July 1, 2013 [**Figure 3**].

Due to an increasing patient turnover from hospitals and back into the community, it is paramount to promote an effective and timely means for obtaining necessary equipment to ensure patient safety and autonomy, reduce hospitalizations, and minimize overall healthcare costs in Hawaii's community. As such, I am thankful for the opportunity to testify in **support** of SB307 SD1, which establishes licensure requirements for durable medical equipment (DME) suppliers for Hawaii's Competitive Bidding Area.

Since the implementation of Medicare's Round 2 Competitive Bidding Program on July 1, 2013, our facility has had to adapt to many changes when ordering necessary medical equipment for our patients. Most significant of these, are the delays when ordering equipment from Medicare DMEPOS contracted medical suppliers. While rarely our facility has delayed discharge for a patient needing medical equipment, we instead loan our own equipment out in the hopes that it will be returned once the order for requested equipment is completed.

Not only has this placed undue liability on our facility for providing interim equipment, especially since we are not DME providers; the Program's implementation has required considerable staff hours as well. As an example that is not atypical of delayed DME orders, repeated phone calls to DME vendor have been necessary to verify and track status of orders (30+ minutes); notifications to clinical staff and maintenance to prepare and log equipment for discharge; phone calls with patient and/or family to update and clarify equipment arrangements (20+ minutes); reacquisition of facility's equipment once order is completed (+- one hour), and additional staff time as well for other miscellaneous communication and/or follow up required. In cases that we have been

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unable to provide equipment necessary to a patient's safe return to the community, tremendous follow-up has been required to obtain specialized equipment timely (hospital beds for example); and/or patients have chosen to purchase necessary medical equipment out of their own pocket which is due to them under Medicare benefit guidelines, in order to return home.

Unfortunately, delivery delay is not the only challenge we have faced with implementation of Medicare's Round 2 DMEPOS Competitive Bidding Program. One example that occurred shortly after implementation represents the challenges faced when dealing with alternate vendors outside of the State of Hawaii. At the particular time a recommendation was made for a patient's Front Wheeled Walker, only four vendors located in Hawaii, according to the Medicare.gov supplier website, were contracted to deliver walkers; and only 10 vendors were contracted to provide walkers in total. Of the four local vendors, only two were able to deliver to the patient. Of these two, one was experiencing a significant backlog on orders, and the other was out of stock. In calling vendors on the U.S. mainland, one vendor was unaware that they provided equipment to the State of Hawaii, several were unable to deliver, some were able to deliver but estimated lengthy wait times of greater than two weeks, and another subcontracted through the same contracted vendor on the island that was out of stock. While this is an extreme example, this is not entirely atypical when ordering from vendors that have a presence outside the State of Hawaii and I would like to note that this situation occurred with equipment that is not overly complex or specialized.

In conclusion, since the introduction of the Round 2 Medicare DME Competitive Bidding Program in Hawaii, our nursing facility has encountered increased challenges when ordering necessary medical equipment for our patients. Only a select few vendors have won the Medicare bids in each category which has significantly limited ordering and delivering equipment in a timely manner for our patients. Moreover, some contracted vendors outside of Hawaii have subcontracted through the very same local contracted vendors on Hawaii for the same equipment, have offered unacceptable delivery options, or have even been unaware of their contracted bid in Hawaii. To summarize, the Program's implementation has made it exceedingly difficult to provide medical equipment in an effective and timely manner to Medicare patients to ensure a safe discharge; has offloaded Medicare's proposed saved costs to medical providers and their patients and in my opinion, has created a market that discourages quality and competition among medical suppliers for the State of Hawaii. Patient turnover will only continue to increase, and it is important to ensure a process that facilitates a smooth and safe patient transition, in order to minimize the impact on Hawaii's healthcare system and to better care for our seniors.

Thank you for the opportunity to testify in support of SB307 SD1.

Respectfully,

Patrick Harrison
Department of Social Services
Aloha Nursing Rehab Centre

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Figure 1.

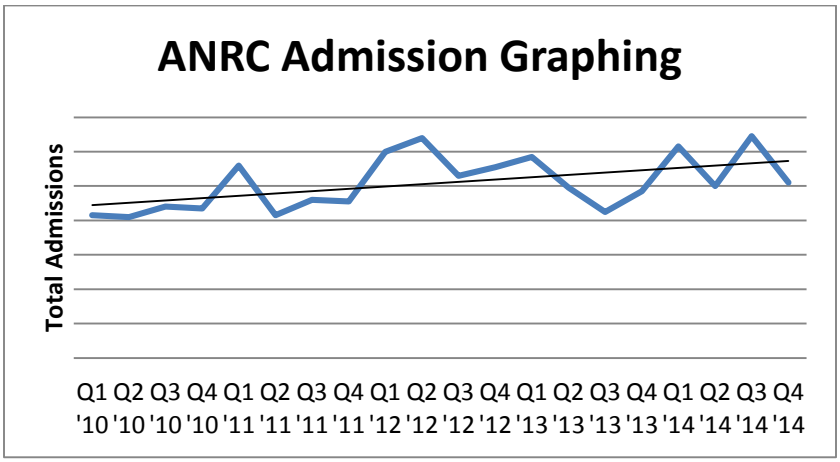


Figure 2.

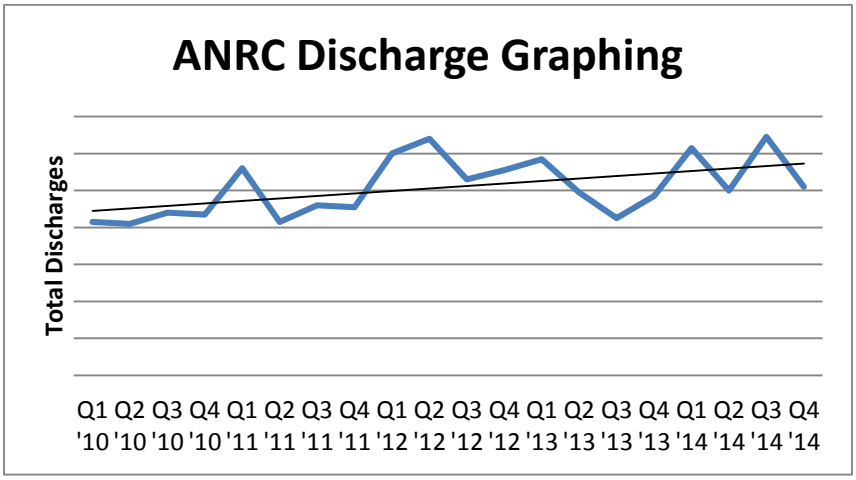
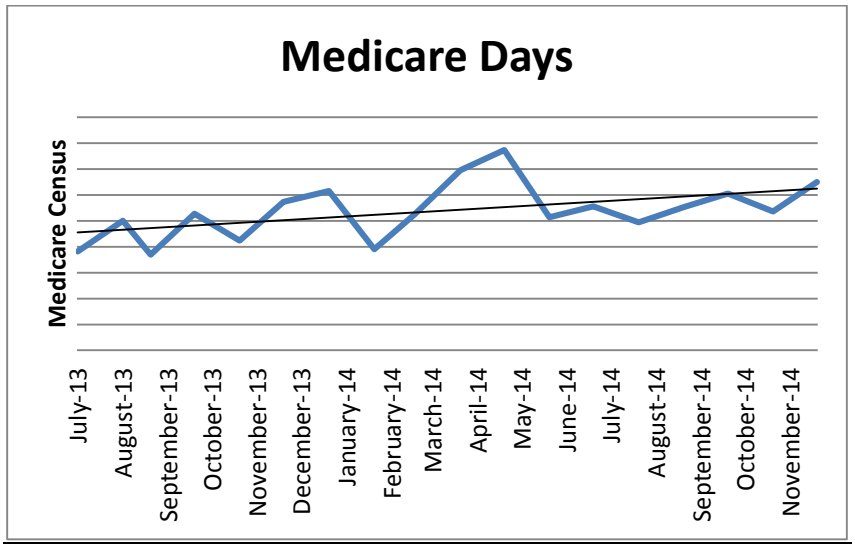


Figure 3.



Tuesday, March 3, 2015 9:10 am

Committee on Ways and Means

To: Senator Jill N. Tokuda, Chair
Senator Ronald D. Kouchi, Vice Chair

From: Emilie Smith
Executive Director
Castle Home Care

Re: Testimony in Support
SB307 — Relating to Health

Thank you for the opportunity to testify in **support** of SB307, 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, the vast majority of vendors winning the bid for these services are located on the mainland. This has created delays in patients receiving needed equipment to stay safely at home. Without access to timely, local services, Medicare beneficiaries in Hawaii have been required 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. Recently one of the few local vendors who had won a bid was removed from the bidding program and is no longer able to provide needed DME to Medicare beneficiaries.

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.
Thank you for the opportunity to testify in support of SB307.

Testimony for SB307 (DME licensure)

Aloha, my name is Garrett Yamamoto, PT, DPT, and I am writing as an advocate for all my patients regarding the current durable medical equipment (DME) competitive bidding process. I understand how the process works as far as who has won the bids for certain items (i.e. wheelchair/components, ambulatory devices/components), but I am here to testify that this process does not work in general, and especially for Hawaii because of our physical location.

The issues that have come up regarding competitive bidding are that local vendors have lost the ability to service Medicare patients for their DME. Now, mainland vendors come to Hawaii without understanding the difficulties that our physical location poses, as they see a possible opportunity to make money. The mainland vendors also seem to not have the urgency to provide quality service, as there are very few to no competitors. Basically, the competitive bidding process has made this industry non-competitive in regard to providing a high level of quality service.

Since the advent of competitive bidding, my patients have experienced a decrease in quality of care. The ways in which they have been negatively impacted include, but are not limited to: the wrong DME delivered to the patients, no DME delivered at all, and vendors asking therapists to alter treatment notes to justify higher-end equipment that the patients do not qualify for because the vendors do not have what we have requested in their warehouse inventory.

One such case of delivering the wrong piece of equipment occurred with a patient who had a specific wheelchair cushion ordered for her to address her stage III coccygeal wound (known as a decubitus ulcer). This patient was diabetic and had impaired sensation and circulation as well. The cushion that the therapist ordered for her was a ROHO Hybrid Elite. This cushion has the capacity to provide the patient with adequate pressure relief to her coccyx, when used in conjunction with pressure-relieving techniques that she learned during therapy. However, the vendor delivered her a basic foam cushion that would not provide her with the appropriate amount of pressure relief, and would significantly increase her risk for exacerbation of her decubitus ulcer, rehospitalization, and death. A lot of red flags arose when I heard about this. We were lucky to catch this, as our therapists normally follow up with patients after discharge to see how they are doing. It is possible that the vendor charged this patient for the higher-end cushion for which they had the prescription, but only provided her with a basic cushion. Also, we as therapists order specific DME for patients for specific reasons. What if no one had followed up with this patient at home? Most individuals would have signed off for any equipment delivered to them without knowing exactly what they should have received. For this patient, without the proper wheelchair cushion, her stage III wound would have been at increased risk for developing into a stage IV ulcer with the possibility infection; this ultimately could lead to death.

A specific case of a vendor trying to get a therapist to justify a higher-end wheelchair happened a few months ago. This patient just had an amputation, and we ordered the patient a standard weight wheelchair. However, the vendor did not have any standard wheelchairs at their facility with the same depth and width as we had requested. They did have a lightweight wheelchair with the same dimensions, but our therapist did not justify using a lightweight chair in her notes, because the patient could propel a standard weight wheelchair without any

difficulties. This vendor called me specifically to ask me to get that therapist to change her note to justify this higher end chair which the patient did not need. This request is wrong on two accounts. Firstly, the increased price of the unnecessary, higher-end wheelchair would have been passed on to the patient, as the patient is still responsible for a co-pay. Secondly, it is fraudulent to ask a therapist to falsify documentation, and against standards of practice and the law for the therapist to do so.

I presented you with just a few of the many incidences of how competitive bidding has adversely affected patients and their right to receive optimal health care. These examples allow you to see how poor the quality of service has become since competitive bidding came into play. I come to you as an advocate for my patients, as they are paying for a service that now has become very difficult to use. The options that I and my fellow colleagues are using are having our facility eat the cost for the DME that the patients need; otherwise, the patients pay out of pocket.

SB307
Submitted on: 2/28/2015
Testimony for WAM on Mar 3, 2015 09:10AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Ke Nguyen	Individual	Oppose	No

Comments:

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

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SB307
Submitted on: 2/28/2015
Testimony for WAM on Mar 3, 2015 09:10AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Anthony Orozco	Individual	Oppose	No

Comments:

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

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