

STATE OF HAWAII  
**DEPARTMENT OF HUMAN SERVICES**

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

March 17, 2015

TO: The Honorable Dee Morikawa, Chair  
House Committee on Human Services

FROM: Rachael Wong, DrPH, Director

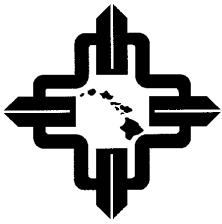
SUBJECT: **S.B. 912, SD 1 - RELATING TO LONG TERM CARE FACILITIES**

Hearing: Thursday, March 19, 2015; 9:00 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of the bill is to require the Department of Human Services to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of this measure and the approach that this bill takes to better assess the financial state of the long term care facilities in the State. We understand and support the need to have accurate information in order to make decisions on funding. The DHS is willing to report on Medicaid reimbursements to long term care facilities and will work with long term care facilities and the Healthcare Association of Hawaii to obtain their costs and shortfalls to include in the reports.

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"*

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

March 19, 2015  
Conference Room 329  
9:00 a.m.  
Hawaii State Capitol

**Testimony Providing Comments on Senate Bill 912, SD1, Relating To Long-Term Care Facilities.**

**Requires the department of human services to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. (SD1)**

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 providing comments on SB 912, SD1, that requires the department of human services to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018.

HHSC supports the intent of this measure, but prefers the original language in SB 912.

HHSC operates over 775 long-term care beds; in fact, approximately 60% of HHSC's beds represent long-term care beds. Like other long-term care facilities, HHSC has suffered from a lack of inflationary adjustments in Medicaid long-term care rates for several years. This means that while the cost of providing care increased, there were no offsetting increases in reimbursement rates, forcing long-term care facilities to eat any inflationary costs through their own cash flow. In fiscal year 2014, HHSC was able to certify approximately \$12.3 million in losses from providing long-term care services to QUEST Expanded Access patients. Instituting an inflationary adjustment to long-term

care reimbursement rates would certainly help in reducing the cost to the State for funding HHSC's operating losses for its long-term care services.

Thank you for the opportunity to testify before this committee. We would respectfully recommend the Committee's consideration of restoring the original language in SB 912, which provided for an annual inflationary adjustment to long-term care reimbursement rates.



## THE QUEEN'S HEALTH SYSTEMS

To: Chair Dee Morikawa  
Vice Chair Bertrand Kobayashi  
House Committee on Human Services

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

Re: SB 912 SD 1, Relating to Long-Term Care Facilities  
Hearing date and time

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The Queen's Health Systems would like to offer support for the intent of SB 912 SD 1 and recommit our position that an inflationary adjustment for Medicaid payments to long-term care facilities is critical for our community.

Supporting long-term care facilities is essential in making sure that residents of Hawaii have access to services along the continuum of care. While we strive to improve community health and prevent hospitalizations, it is inevitable that some people in our community will need to seek acute treatment at one of our QHS facilities. Once discharged from the hospital, these patients and their families will need supports in the community or in long-term care facilities to aid in their post-acute recovery.

We join our partners at the Healthcare Association of Hawaii in supporting an inflationary adjustment. 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.*



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**Thursday, March 18, 2015 – 9 a.m.**  
**Conference Room #329**

**House Committee on Human Services**

To: Rep. Dee Morikawa, Chair  
Rep. Bert Kobayashi, Vice Chair

From: George Greene, President & CEO  
Healthcare Association of Hawaii

Re: **Testimony Providing Comments with Suggested Amendments**  
**SB912 SD1— Relating to Long-Term Care Facilities**

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 provide **comments** on SB912 SD1, which requires the department of human services to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session.

Long-term care facilities in the state continue to face major financial challenges in providing quality healthcare to Hawaii residents, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. The financial impact is further magnified since approximately 70% of patients in such facilities are covered by the state Medicaid program.

We respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is our understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million.

Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

Phone: (808) 521-8961 | Fax: (808) 599-2879 | [HAH.org](http://HAH.org) | 707 Richards Street, PH2 - Honolulu, HI 96813

Affiliated with the American Hospital Association, American Health Care Association, National Association for Home Care and Hospice,  
American Association for Homecare and Council of State Home Care Associations

COMMITTEE ON HUMAN SERVICES

Rep. Dee Morikawa, Chair  
Rep. Bertrand Kobayashi, Vice Chair

Rep. Della Au Belatti      Rep. Jo Jordan  
Rep. Richard P. Creagan    Rep. Marcus R. Oshiro  
Rep. Mark J. Hashem        Rep. Beth Fukumoto Chang

Re:    Testimony In support of SB912 SD1— Relating to Long-Term Care Facilities  
      Providing Comments with Suggested Amendments

My name is Tony Krieg, C.E.O. of Hale Makua Health Services on Maui. Hale Makua's nursing homes with 344 beds admits, on average 40 patients per month from Maui Memorial Medical Center. Eighty one percent (81%) of the residents in our nursing homes are Medicaid recipients. And, we have not had an increase in our Medicaid rate since 2010. At the same time, costs of food, electricity, gas, supplies etc have increased substantially. The majority of our employees have not had wage increases for four years.

As you know there is a severe shortage of primary care physicians in Maui and the rest of the state. To be admitted to Hale Makua's services, each potential patient needs a primary care physician to care for them. Nearly all of the local physicians on Maui are now too busy to admit and attend patients in our nursing homes. In order to keep patient flow between our homes and Maui Memorial, we are bringing temporary contracted physicians from the Mainland who rotate on a 4-6 month basis. As you can imagine this is very costly and probably not sustainable. But, if we do not continue to provide physician services, we will not be able to continue to admit patients and Maui Memorial and the community will suffer

We desperately need an inflation increase to keep serving the frail and vulnerable elders and disabled who need 24 hour nursing care. I urge you to pass this bill on to the Ways and Means Committee for their consideration.

I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million.

Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

To: Rep. Dee Morikawa, Chair  
Rep. Bert Kobayashi, Vice Chair

From: Joyce Tamori, CFO  
Hale Makua Health Services

Re: Testimony Providing Comments with Suggested Amendments  
SB912 SD1— Relating to Long-Term Care Facilities

Thank you for the opportunity to provide comments on SB912 SD1, which requires the DHS to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session.

Long-term care facilities in the state continue to face major financial challenges, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Approximately 80% of the residents at our two Hale Makua nursing homes are covered by Medicaid. While expenses such as electricity, food, and labor have continued to rise, the revenue from Medicaid has not increased to help offset these costs.

Consequently, Hale Makua Health Services has been experiencing financial difficulty; a situation that has been exacerbated by a lack of inflationary adjustments for the past five years.

I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million.

Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

**kobayashi2-Lynda**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 17, 2015 11:54 AM  
**To:** HUS testimony  
**Cc:** mkawano@ktsmaui.com  
**Subject:** Submitted testimony for SB912 on Mar 19, 2015 09:00AM

**Categories:** duplicate

**SB912**

Submitted on: 3/17/2015

Testimony for HUS on Mar 19, 2015 09:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melvin T. Kawano	Hale Makua Health Services	Comments Only	No

Comments: To: Rep. Dee Morikawa, Chair Rep. Bert Kobayashi, Vice Chair From: Melvin T. Kawano, Board Member Hale Makua, Wailuku Re: Testimony Providing Comments with Suggested Amendments SB912 SD1— Relating to Long-Term Care Facilities Thank you for the opportunity to provide comments on SB912 SD1, which requires the DHS to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session. Long-term care facilities in the state continue to face major financial challenges, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Approximately 80% of the residents at our two Hale Makua nursing homes are covered by Medicaid. While expenses such as electricity, food, and labor have continued to rise, the revenue from Medicaid has not increased to help offset these costs. Consequently, Hale Makua Health Services has been experiencing financial difficulty; a situation that has been exacerbated by a lack of inflationary adjustments for the past five years. I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million. Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

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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**kobayashi2-Lynda**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 16, 2015 11:58 AM  
**To:** HUS testimony  
**Cc:** conniem@halemakua.org  
**Subject:** Submitted testimony for SB912 on Mar 19, 2015 09:00AM

**Categories:** duplicate

**SB912**

Submitted on: 3/16/2015

Testimony for HUS on Mar 19, 2015 09:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Connie Miller	Hale Makua Health Services	Comments Only	No

Comments: Thank you for the opportunity to provide comments on SB912 SD1, which requires the DHS to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session. Long-term care facilities in the state continue to face major financial challenges, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Approximately 85% of the residents in my nursing home are covered by Medicaid. Consequently, my home has been in financial difficulty; a situation that has been exacerbated by a lack of inflationary adjustments for the past five years. I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million. As you are well aware, the cost of electricity, food, and labor continues to increase, but as these expenses rise, our revenue from Medicaid has not increased to help offset these costs. Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

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**Committee on Human Services and Housing**

To: Representative Dee Morikawa, Chair  
Representative Bertrand Kobayashi , Vice Chair

From: Richard Kishaba  
President  
Ohana Pacific Management Company

Re: **Testimony in Strong Support**  
**SB912— Relating to Long-Term Care Facilities**

Ohana Pacific Management Company operates four nursing facilities in Hawaii, with almost 400 beds and employing 600 employees. All of our facilities serve Medicaid patients in rural Oahu and on Kauai.

Thank you for the opportunity to testify in support of SB912, with the amendment which reflects the language of HB583. This provides for annual inflationary adjustments to the long-term care reimbursement methodology used to reimburse facilities for Medicaid recipients.

Long-term care facilities in the state continue to face major financial challenges in providing quality healthcare to Hawaii residents, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Our facilities have not received inflationary adjustments for a number of years, which has only widened the gap between costs and reimbursements. The financial impact is further magnified in some of our facilities as more than 70% of the patients are covered by the state Medicaid program. Furthermore, our facilities are also financially impacted by generally sicker patients and increasing costs. The inflationary adjustment is important to provide quality care to Hawaii residents.

Thank you for the opportunity to testify in support of SB912.

Rep. Dee Morikawa, Chair  
Rep. Bertrand Kobayashi, Chair  
Committee on Human Services

Charna Underwood, BSW  
charna@hawaii.edu

Hearing: Thursday, March 19, 2015 9:00AM

#### COMMENTS SB 912, RELATING TO LONG-TERM CARE FACILITIES

My name is Charna Underwood, MSW student at the University of Hawai'i at Manoa, writing to you today with comments regarding the amendments made to SB 912 to increase Medicaid payment rates for long-term care facilities. I have volunteer and practicum experience in the long-term care system and community case management and have seen first-hand the struggles that families and organizations in Hawaii face as a result of the high costs of long-term care for older adults.

I am in support of the bill, as originally written, but have some concerns regarding the amendments made with SD 1. The SB 912 bill is now slated to look at the effects of the Medicaid reimbursement rate rather than adjust them in the near future. My main concern with this is that 2018 may be too late to save facilities that are already drowning in debt from the low Medicaid reimbursement rate. Additionally, waiting until 2018 brings us 3 years closer to the "silver tsunami" of the baby boomer population in Hawaii, cutting it dangerously close to remedy any deficits facilities may be experiencing, resulting in a lack of adequate services available for our upcoming senior population. Lastly, this amendment says a report will be written, but does not state intention to remedy the problem in a timely manner given the results of the reports.

As you likely know, Hawaii is expecting a large increase in our older adult population, with almost 1 in 3 adults over the age of 65 by the year 2035 (EOA, 2011). The largest growing group within our older population will be those over 85, indicating there will soon be a high demand for health services for the oldest and most frail group of elders.

Unfortunately, our current healthcare system is not set up in a way that is profitable to service those populations who are older, sicker, and without financial resources. Part of this problem is that Medicaid does not pay dollar for dollar in the long-term care system; causing deficits for facilities that service these marginalized populations. I do not think facilities that service Medicaid recipients should be forced to take the hit financially, because we cannot neglect those who most need assistance.

Without continued service from long-term care facilities that serve Medicaid recipients, we will have an even larger crisis on our hands than just this deficit in the near future. Without safety net long-term care providers, the exceedingly high prices of long-term care and other healthcare services will cause major health disparity among our older and ailing populations. Therefore, we need to increase Medicaid payment and funding for

supportive long-term care programs to care for our elders and those with increased healthcare needs immediately.

So again, please consider the future of our kupuna, those with health needs, and their families regarding the comments stated in this testimony. Thank you for your consideration on this issue.

**kobayashi2-Lynda**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 16, 2015 12:29 AM  
**To:** HUS testimony  
**Cc:** teresa.parsons@hawaii.edu  
**Subject:** \*Submitted testimony for SB912 on Mar 19, 2015 09:00AM\*

**Categories:** duplicate

**SB912**

Submitted on: 3/16/2015

Testimony for HUS on Mar 19, 2015 09:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Teresa Parsons	Individual	Support	No

**Comments:**

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## kobayashi2-Lynda

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 18, 2015 8:38 AM  
**To:** HUS testimony  
**Cc:** phiranaga@waileagolf.com  
**Subject:** Submitted testimony for SB912 on Mar 19, 2015 09:00AM

**Categories:** duplicate

### **SB912**

Submitted on: 3/18/2015

Testimony for HUS on Mar 19, 2015 09:00AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Paul Hiranaga	Individual	Comments Only	No

Comments: Thank you for the opportunity to provide comments on SB912 SD1, which requires the DHS to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session. Long-term care facilities in the state continue to face major financial challenges, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Approximately 80% of the residents at our two Hale Makua nursing homes are covered by Medicaid. While expenses such as electricity, food, and labor have continued to rise, the revenue from Medicaid has not increased to help offset these costs. Consequently, Hale Makua Health Services has been experiencing financial difficulty; a situation that has been exacerbated by a lack of inflationary adjustments for the past five years. I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million. Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.

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**LATE**



**HALE MAKUA HEALTH SERVICES**

COMPASSION COMMITMENT COMMUNITY

To: Rep. Dee Morikawa, Chair  
Rep. Bert Kobayashi, Vice Chair

From: Ted Tucker, Chief Human Resources & Compliance Officer

Re: Testimony Providing Comments with Suggested Amendments  
SB912 SD1— Relating to Long-Term Care Facilities

Thank you for the opportunity to provide comments on SB912 SD1, which requires the DHS to track the annual costs, reimbursements, and shortfalls that long-term care facilities experience due to the current long-term care reimbursement rate, as well as the potential impact of a reimbursement rate increase, and provide a report to the legislature every three years beginning in 2018. This measure was originally the companion bill to HB583 HD1, which was passed out by your committee earlier this session.

Long-term care facilities in the state continue to face major financial challenges, primarily due to the fact that payments for Medicaid enrollees do not cover the actual cost of care. Approximately 85% of the residents in Hale Makua's nursing homes are covered by Medicaid. Consequently, my home has been in financial difficulty; a situation that has been exacerbated by a lack of inflationary adjustments for the past five years.

I respectfully request that this committee amend the contents of this bill with the contents of HB583 HD1, which would provide for an annual inflationary adjustment to long-term care facility prospective reimbursement rates for care provided to Medicaid recipients. It is my understanding that this would require a general fund appropriation of approximately \$1.55 million, which would then be eligible for a federal match of approximately \$1.78 million.

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

As the costs for labor, food, fuel, supplies, and needed facility repairs all rise year over year, it is not possible for nursing home operators to remain in business and provide critical safety net services in our communities without increases to our single largest revenue source – Medicaid. Thank you for the opportunity to provide comments on SB912 SD1 with suggested amendments.