



**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

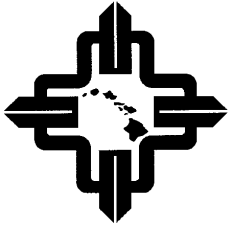
SUBJECT: **S.B. 912, SD 1 - RELATING TO LONG TERM CARE FACILITIES**

Hearing: Monday, March 2, 2015; 9:00 a.m.  
Conference Room 211, 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 prudent 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 and will work with long term care facilities to obtain their costs and shortfalls. However, DHS would not be able to certify the information provided by the long term facilities as the DHS does not have the authority or capacity to audit the facilities or their financial records.

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 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.



To: Ways and Means Committee

From: Connie Miller, Administrator, Wailuku Campus  
Hale Makua Health Services

**Re: Testimony in Support**  
**SB 912 — Relating to Long-Term Care Facilities**

I am submitting this testimony in **support** of SB 912, which provides for annual inflationary adjustments to the reimbursement methodology used to reimburse long-term care facilities for Medicaid recipients. I also request that the original language be re-inserted that would establish the adjustment in statute.

Approximately 85% of the residents in my nursing home are covered by Medicaid, and the payments for Medicaid are less than our actual cost of care. 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.

As you are well aware, the cost of electricity, food, and labor continues to grow, but as these expenses rise, our revenue has not increased to offset these costs. I urge you to help us help our Kupuna by voting in favor of HB583 HD-1.



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**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 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 testimony in support with suggested amendments on SB912 SD1.

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. Such facilities have not received inflationary adjustments for a number of years, which has only widened the gap between costs and reimbursements. In 2012, the American Health Care Association estimated that this gap nearly averaged \$20 per day (per patient) for Hawaii long-term care facilities. 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 the committee amend this measure with the contents of SB912 as originally introduced to provide for annual inflationary adjustments to the long-term care reimbursement methodology used to reimburse facilities for Medicaid recipients.

Thank you for the opportunity to provide comments of SB912 SD1.



45-181 Waikalua Road • Kaneohe, Hi 96744

**Monday , March 2, 2015, 9 am**  
**Conference Room #211**

**Senate Ways and Means Committee**

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

From: Richard Kishaba  
President  
Ohana Pacific Management Company

Re: **Testimony in Support**  
**SB 912 SD1— 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 SB 912, which provides for annual inflationary adjustments to the long-term care reimbursement methodology used to reimburse facilities for Medicaid recipients. **We request that SB 912 SD1 be passed using the original language without the amendments (SD1). It is vital that the following language be contained in the bill's final draft.**

**"§346D- Inflationary adjustment. (a) The department of human services shall recognize an annual cost increase to a long-term care facility's provider-specific prospective payment rate by applying an inflation adjustment to the provider's historical costs or basic prospective payment system rates.**

**(b) The annual inflation factor shall be the rate approved by the federal government in the medicaid state plan."**

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

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. Similar to the American Health Care Association 2012 findings, we estimated that this gap nearly averaged \$20 per day (per patient) for one of our facilities. 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 SB 912.



## 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 912 SD 1, Relating to Long-Term Care Facilities  
Hearing—March 2, 2015 at 9:00 AM

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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.*



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

Charna Underwood, BSW  
charna@hawaii.edu

Hearing: Monday, March 2, 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.