



SB 912

Measure Title:	RELATING TO LONG-TERM CARE FACILITIES.
Report Title:	Long-term Care; Inflationary Update
Description:	Provides for an inflationary adjustment to long-term care facility prospective payment rates.
Companion:	
Package:	None
Current Referral:	HSH, WAM
Introducer(s):	CHUN OAKLAND, Baker



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

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

February 5, 2015

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services and Housing

FROM: Rachael Wong, DrPH, Director

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

Hearing: Thursday, February 5, 2014; 1:20 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of the bill is to provide an inflationary adjustment to long term care facility prospective payment rates.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure, and offer comments that we are concerned that fixing the rate increase in statute would result in cost implications that may adversely impact priorities in the Executive Budget and limit DHS' ability to adjust the Medicaid budget in response to fiscal down turns and other fluctuations.

This bill proposes to require statutorily annual Medicaid inflationary rate increases for long term care facilities. The DHS currently has administrative rules, promulgated pursuant to Chapter 91, Hawaii Revised Statutes, which provide for inflationary adjustments to the prospective payment rates for long term care facilities.

The proposed statutory change will significantly limit the ability of the DHS and the State to adjust the Medicaid budget in response to fiscal fluctuations and would require on-going annual funding, with likelihood of emergency appropriations, to the Medicaid budget.

The current status quo provides for needed flexibility in addressing increased costs. While the inflationary adjustment was suspended in 2011, the nursing facilities benefitted from the Nursing Facility Sustainability Program initiated in 2012. The nursing facilities participating in the Nursing Facility Sustainability Program this year will be assessed \$10,346,784 in fees and receive \$21,614,340 in additional reimbursements.

In addition, the Developmental Disabilities/Individuals with Intellectual Disabilities (DD/IID) facilities received a 1.8% inflation increase this year which was funded through the Department of Health, and rebased rates for the DD/IID facilities will be effective July 1, 2015.

If the intent of the Legislature is to provide for an annual increase, the DHS respectfully requests that the increase be appropriated through the Executive Budget rather than fixing the rate increase through statute. Providing additional appropriation through the Executive Budget will preserve the ability of the DHS to respond to the State's changing fiscal conditions. However, any appropriation passed through this measure to address an annual increase could not replace or adversely impact priorities indicated in the Executive Budget.

Thank you for the opportunity to testify on this bill.



Thursday, February 5, 2015 – 1:20 p.m.
Conference Room #016

Senate Committee on Human Services and Housing

To: Sen. Suzanne Chun Oakland, Chair
Sen. Josh Green, MD, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: **Testimony in Support**
SB912 — 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 testify in **support** of SB912, which 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. 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.

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



THE QUEEN'S HEALTH SYSTEMS

**SB 912, Relating to Long-Term Care Facilities
Senate Committee on Human Services and Housing
Hearing—February 5, 2015 at 1:20 PM**

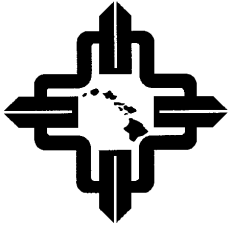
Dear Chairwoman Chun Oakland and Members of the Senate Committee on Human Services and Housing:

My name is Paula Yoshioka and I am a Senior Vice P- resident at The Queens' Health Systems. I would like to offer my support for SB 912, relating to long-term care facilities. This legislation will provide a much-needed inflationary adjustment to payments made to long-term care facilities.

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.

I join our partners at the Healthcare Association of Hawaii in supporting this legislation, and would ask for your favorable vote on this measure. 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.



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

"Quality Healthcare For All"

Senate Committee on Human Services and Housing
Senator Suzanne Chun Oakland, Chair
Senator Josh Green, Vice Chair

February 5, 2015
Conference Room 016
1:20 p.m.
Hawaii State Capitol

**Testimony Supporting Senate Bill 912, Relating To Long-Term Care Facilities.
Provides for an inflationary adjustment to long-term care facility prospective
payment rates.**

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 912 that provides for an inflationary adjustment to long-term care facility prospective payment rates.

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 support of this measure.