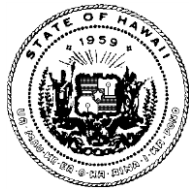


DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

BRIDGET HOLTHUS
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 23, 2017

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Finance

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 90 HD 1 - Relating to the Nursing Facility Sustainability Program**

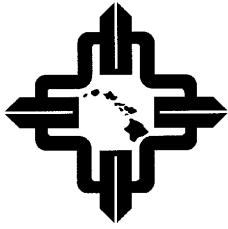
Hearing: February 23, 2017, 12:00 p.m.
Conference Room 308, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the opportunity to testify in support.

PURPOSE: The purpose of the bill is to preserve access to health care for Medicaid recipients by extending the nursing facility sustainability fee program; appropriates funds out of the nursing facility sustainability program special fund for fiscal year 2017-2018; and extends exemptions from certain special fund fees. The House Committees on Human Services and Health amended the measure by extending the program for two years; amending the appropriation to an unspecified amount; defecting the effective date; and making technical amendments.

This original version of this bill is nearly identical to the Administration's bills, HB 1097/SB 963. We express strong support for the bill as we have been implementing this program successfully for several years.

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 Finance
Rep. Sylvia Luke, Chair
Rep. Ty J. K. Cullen, Vice Chair**

February 23, 2017
Conference Room 308
12:00 p.m.
Hawaii State Capitol

**Testimony Supporting House Bill 90, HD 1 Relating to the Nursing Facility Sustainability Program
Extends the Nursing Facility Sustainability Program for two years. Appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal year 2017-2018 and fiscal year 2018-2019.**

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 H.B. 90, H.D. 1 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 MedQUEST program. 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 respectively recommend the Committee's support of this measure.



February 23, 2017 at 12:00 PM
Conference Room 308

House Committee on Finance

To: Chair Sylvia Luke
Vice Chair Ty J.K. Cullen

Re: **Testimony in Support**
HB 90 HD 1, Relating to the Nursing Facility Sustainability Program

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 160 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

The Healthcare Association of Hawaii would like to thank the committee for the opportunity to **support** HB 90 HD 1. This legislation would extend the Nursing Facility Sustainability Program, which has helped Hawaii nursing homes offset some of the losses they incur taking care of the most vulnerable in our state. This measure would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. Notably, this legislation authorizes the program for two years. (Previously, the program was authorized annually.)

Recognizing that Medicaid payments were below the actual costs of care, the legislature created the Nursing Facility Sustainability Program in 2012. This program improves Medicaid payments to nursing facilities by assessing a fee on those facilities. The funds generated by the fees are then used to obtain additional federal Medicaid funds, which are deposited in a special fund and distributed back to private nursing facilities. Payment back to these providers is based on the amount of a nursing facility's uncompensated care, which includes costs incurred serving under- and uninsured patients. Importantly, no state funds are used for the Nursing Facility Sustainability Program.

This program is critical for nursing facilities that serve a population where up to 70 percent of residents are enrolled in Medicaid. These enrollees are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care. We humbly request that the State Legislature continue its support of this program. Thank you for your time and consideration of this measure.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
Members, Committee on Finance

From: Paula Yoshioka, Senior Vice President, The Queen's Health Systems
Date: February 21, 2017
Hrg: House Committee on Finance Hearing; Thursday, February 23, 2017 at 12:00PM in
Room 308

Re: **Support for HB 90, HD1, Relating to the Nursing Facility Sustainability Program**

My name is Paula Yoshioka, and I am a Senior Vice President at The Queen's Health Systems (QHS). QHS would like to express our **strong support** for HB 90, HD1, Relating to the Nursing Facility Sustainability Program. This bill continues the Nursing Facility Sustainability Program for two years and appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal years 2017-2018 and 2018-2019.

The Nursing Facility Sustainability Program assists nursing facilities in Hawaii by mitigating losses that are incurred when taking care of underserved populations. Nursing facilities in Hawaii play a critical role in the continuum of care for our community. For our hospitals like The Queen's Medical Center-Punchbowl (QMC Punchbowl), which experiences a waitlist of over 40 patients a day waiting to be transferred to sub- or post-acute care settings, nursing facilities are integral to the continuing care of patients. Patients on our waitlists are no longer in need of acute care, but due to the limited community based resources and low Medicaid reimbursement, our hospitals are unable to place patients ready for discharge. Other patients needing an acute level of care may not be able to access a hospital bed if census is full and waitlisted patients occupy acute care beds.

QMC-Punchbowl experiences an average daily census (ADC) of 94 percent (80 percent is the efficient ADC level). In 2016, QMC Punchbowl reached capacity multiple times requiring us to go on divert for 153 days or 42 percent of the entire year. At the same time the number of Emergency Department (ED) holds at QMC-Punchbowl, defined as an individual waiting more than four hours to be hospitalized, averaged 11.43 holds a day last year. Waitlisted patients directly impact the availability of acute care beds.

For several years now, the Nursing Facility Sustainability Program has received support for the Legislature. Such support is necessary to ensure that the State of Hawaii continues to build up every part of the continuum of care for our community so that the most underserved members of our community have continued access to the care they need.

I ask for your support of this measure and the continuation of the Nursing Facility Sustainability Program. Thank you for your time and attention to this important issue.

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.



Testimony in Support
HB 90, HD 1, Relating to the Nursing Facility Sustainability Program
by
Stephen A. Kula, Ph.D., NHA
President and CEO
Legacy of Life Hawai'i
Senate Committee on Commerce, Consumer Protection, and Health
Chair Sylvia Luke
Vice Chair Ty J.K. Cullen
Thursday, February 23, 12:00 p.m.
State Capitol, Conference Room 308

Thank you for the opportunity to offer testimony on behalf of Legacy of Life Hawai'i in strong support of HB 90, HD 1. As a member of the Healthcare Association of Hawaii, Legacy of Life Hawai'i supports this legislation which seeks to extend the Nursing Facility Sustainability Program, which has helped Hawaii nursing homes offset some of the losses they incur taking care of the most vulnerable in our state. This measure would codify the program for fiscal years 2018 and 2019, and make other adjustments to the program as necessary. Notably, this legislation authorizes the program for two years.

Recognizing that Medicaid payments were below the actual costs of care, the Legislature created the Nursing Facility Sustainability Program in 2012. This program improves Medicaid payments to nursing facilities by assessing a fee on those facilities. The funds generated by the fees are then used to obtain additional federal Medicaid funds, which are deposited in a special fund and distributed back to private nursing facilities. Payment back to these providers is based on the amount of a nursing facility's uncompensated care, which includes the costs incurred by hospitals serving under- and uninsured patients. Importantly, no state funds are used for the Nursing Facility Sustainability Program.

This program is critical for nursing facilities that serve a population where up to 70 percent of residents are enrolled in Medicaid. These enrollees are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care. Thank you for the opportunity to offer testimony on behalf of Legacy of Life Hawai'i in strong support.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Thursday, February 23, 2017 at 12:00 P.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 90 HD1 RELATING TO
THE NURSING FACILITY SUSTAINABILITY PROGRAM**

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 90 HD1, which extends the Nursing Facility Sustainability Program for two years; appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal year 2017-2018 and fiscal year 2018-2019.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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.

February 23, 2017 at 12:00pm
Conference Room 308

House Committee on Finance

To: Rep. Sylvia Luke, Chair
Rep Ty J.K. Cullen, Vice Chair

From: Michael Robinson
Vice President – Government Relations & Community Affairs

Re: HB 90 HD 1 – Testimony in Support

My name is Michael Robinson, Vice President, Government Relations and Community Affairs at Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-governmental employer. Hawai'i Pacific Health is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

I am writing in support of HB90 HD1, which reauthorizes the nursing facility sustainability fee program, with amendment to include both fiscal years 2017-2018 and 2018-2019.

Nursing facilities are a vital component of the health care delivery system, yet they face major financial challenges in providing quality long-term care to Hawai'i residents because payments for Medicaid enrollees are not adequate to cover the actual costs of care. Provider fees have been identified in forty-nine states and the District of Columbia as effective mechanisms for drawing down federal funds to sustain Medicaid programs in light of rising state budget deficits, increasing health care costs, and expanding Medicaid enrollment. This fee program has the capacity to obtain additional federal funds which will reduce the financial losses incurred by nursing and long-term care facilities.

Reauthorization of the nursing sustainability fee program through HB90 HD1 will enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.