

DAVID Y. IGE  
GOVERNOR



PANKAJ BHANOT  
DIRECTOR

CATHY BETTS  
DEPUTY DIRECTOR

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

February 18, 2019

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

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 1449 HD 1– RELATING TO NURSING FACILITY SUSTAINABILITY PROGRAM**

Hearing: Thursday, February 21, 2019 11:00 a.m.  
Conference Room 308, State Capitol

**DEPARTMENT’S POSITION:** The Department of Human Services (DHS) strongly supports this bill which is substantively similar to our administrative bill HB 1003. We respectfully request that the nursing sustainability special fund appropriations of \$21,000,000 for each of the fiscal years, 2019-202 and 2020-2021.

**PURPOSE:** The purpose of the bill is to extend the nursing facility sustainability fee program to 2021; allows the nursing facility sustainability fee to be used to enhance capitated rates for the purposes of paying quality incentives; increases the nursing facility sustainability fee limit from four to 5.5 percent of net patient service revenue. It increases the per resident daily maximum fee from \$13.46 to \$20 for each facility and increases the per resident reduced daily maximum fee from \$5.85 to \$9 for facilities that meet certain exceptions. It appropriates funds to the Nursing Facility Special fund. The measure extends the exemptions from the central service expenses and administrative expenses assessments applied to special funds.

The Nursing Facility Sustainability Program and the Nursing Facility Sustainability Program Special Fund (the Special Fund) were established by Act 156, Session Laws of Hawaii (SLH) 2012, and last amended by Act 60, Session Laws of Hawaii 2017. The Special Fund

receives moneys from the nursing facility sustainability fee, which is used to match with federal Medicaid funds, and is used to increase reimbursements to the nursing facilities through capitation payments with a greater benefit to those providing proportionately more services to Medicaid recipients.

These additional moneys from the increased fee will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the safety net as well as to incentivize quality using a pay for performance. DHS has worked very closely with the Healthcare Association of Hawaii (HAH), the trade organization for nursing facilities, in the implementation and evolution of the program. We are in concurrence with the increase in the provider fees, the additional uses of the fees, and the two-year extension. We also concurred with their proposed amendment to the bill to clarify the definition of which nursing facilities are subject to the tax, and appreciate the Committees on Human Services and Homelessness and on Health's adoption of that amendment. We also will take the necessary action with the Centers for Medicare and Medicaid Services to get any necessary approvals for excluding nursing facilities from the tax, which the amendment necessitates.

The Nursing Facility Sustainability Program currently will be repealed on June 30, 2019, with funding provisions to be repealed on December 31, 2019. This bill proposes to extend the Nursing Facility Sustainability Program for two years past the repeal date of June 30, 2019, and extends the Special Fund for an additional six months thereafter.

The extensions of the exemptions from the central service expenses and administrative expenses assessments are also necessary. The exemptions will be lost when paragraphs 36-27(a) (32) and 36-30(a) (26), Hawaii Revised Statutes, are repealed on December 31, 2019, and the Special Fund will then be subject to those assessments. The DHS estimates that the Special Fund would be subject to the central service expenses assessment for the period January 1, 2019 through December 31, 2019, in the amount of at least \$2,500,000, and the administrative expenses assessment for the same period in the amount of \$500,000. As in the past, we request the exemptions from the special fund assessments be maintained and extended so that more funds may go back to supporting the nursing facilities.

We respectfully request that the appropriation of \$21,000,000 from the nursing facility special fund for fiscal year 2019-20, and the same amount for fiscal year 2020-21, be restored. We also request that the effective date be restored to June 29, 2019.

Thank you for the opportunity to provide testimony in support of this measure.



**February 21, 2019 at 11:00 am**  
**Conference Room 308**

**House Committee on Finance**

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

From: Hilton Raethel  
President and CEO  
Healthcare Association of Hawaii

**Re: Testimony in Support**  
**HB 1449 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 170 member organizations who represent almost every aspect of the healthcare 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.

Thank you for the opportunity to provide testimony in **strong support** of this bill. The Nursing Facility Sustainability Program helps participating nursing facilities offset some of the losses they incur taking care of under- and uninsured patients in Hawaii. In its simplest telling, the program works by levying a fee on participating providers. The funds generated through that fee are used to draw down additional federal dollars and are distributed back to the providers, which results in a net gain for most participants. Most importantly, no state general funds are used for this program. In fact, the Department of Human Services receives a portion of the fee levied on nursing facilities.

This program has been in effect since 2012 when, recognizing that Medicaid payments were below the actual costs of care in nursing facilities, the legislature established this program. While the program was reauthorized annually for several years, the legislature passed a two-year authorization of the program in 2017. This was evidence of how successful the program has been, especially in bringing together private and public entities to help increase access to care for Medicaid recipients. This is especially important for seniors, who rely on nursing facility care as their health declines.

Thank you for the opportunity to provide supportive testimony for this successful program, which uses no state dollars and is able to provide a real benefit to providers and patients.



## THE QUEEN'S HEALTH SYSTEMS

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

From: Paula Yoshioka, Vice President, Government Relations and External Affairs, The Queen's Health Systems

Date: February 19, 2019

Hrg: House Committee on Finance Hearing; Thursday, February 21, 2019 at 11:00 AM in Room 308

Re: Strong support for H.B. 1449, H.D. 1, Relating to the Nursing Facility Sustainability Program

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The Queen's Health Systems (Queen's) is a not-for-profit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, 66 health care centers and labs, and more than 1,600 physicians statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide testimony in strong support of H.B. 1449, H.D. 1, which continues the Nursing Facility Sustainability Program for two years and we concur with Healthcare Association of Hawaii's testimony. This measure appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal years 2019-2020 and 2020-2021. The Nursing Facility Sustainability Program assists nursing facilities in Hawai'i by mitigating losses that are incurred when taking care of underserved populations. Nursing facilities in Hawai'i play a critical role in the continuum of care for our community.

For our hospitals like The Queen's Medical Center-Punchbowl (QMC-PB), 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. We 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.*



3- 3420 Kuhio Highway, Suite 300 • Lihue, HI 96766

**February 21, 2019 at 11:00 am**  
**Conference Room 308**

**House Committee on Finance**

To: Chair Rosalyn H. Baker  
Vice Chair Stanley Chang

From: Kurt Akamine  
Vice President  
Ohana Pacific Management Company

Re: **Testimony in Support**  
**HB 1449 HD 1, Relating to the Nursing Facility Sustainability Program**

Ohana Pacific Management Company, Inc. (OPMC) owns and operates five post-acute care facilities servicing more than 500 patients on Oahu and Kauai as well as an adult day health program and home health agency on Kauai.

I would like to thank the committee for the opportunity to testify in support of HB 1449 HD1, which would provide a provisional license for clinical fellows.

The Nursing Facility Sustainability Program helps participating nursing facilities offset some of the losses they incur taking care of under- and uninsured patients in Hawaii. In its simplest telling, the program works by levying a fee on participating providers. The funds generated through that fee are used to draw down additional federal dollars and are distributed back to the providers, which results in a net gain for most participants. Most importantly, no state general funds are used for this program. In fact, the Department of Human Services receives a portion of the fee levied on nursing facilities.

This program has been in effect since 2012 when, recognizing that Medicaid payments were below the actual costs of care in nursing facilities, the legislature established this program. While the program was reauthorized annually for several years, the legislature passed a two-year authorization of the program in 2017. This was evidence of how successful the program has been, especially in bringing together private and public entities to help increase access to care for Medicaid recipients. This is especially important for seniors, who rely on nursing facility care as their health declines.

Thank you for the opportunity to provide supportive testimony for this successful program, which uses no state dollars and is able to provide a real benefit to providers and patients.

**HB-1449-HD-1**

Submitted on: 2/20/2019 11:03:17 AM

Testimony for FIN on 2/21/2019 11:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:



**LATE**

February 19, 2019

The Honorable Sylvia Luke, Chair  
The Honorable Ty J.K. Cullen, Vice Chair  
House Committee on Finance

Re: HB 1449 HD1 – Relating to the Nursing Facility Sustainability Program

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

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1449, HD1, which extends the nursing facility sustainability fee program to 2021. It allows the nursing facility sustainability fee to be used to enhance capitated rates for the purpose of paying quality incentives. It increases the nursing facility sustainability fee limit from four to 5.5 per cent of net patient service revenue. It increases the per resident daily maximum fee from \$13.46 to \$20 for each facility, and increases the per resident reduced daily maximum fee from \$5.85 to \$9 for facilities that meet certain exceptions. It also appropriates funds.

HMSA supports this program which allows the state to draw down federal funding to benefit the health care system in Hawaii. The Nursing Facility Sustainability Program levies a fee on participating facilities which is then matched by federal Medicaid funds. The combined amount is reimbursed to private hospitals with a greater benefit going to facilities that provide proportionately more services to Medicaid recipients.

Thank you for the opportunity to provide testimony on this measure.

Sincerely,

Pono Chong  
Vice President, Government Relations