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GOVERNOR



PANKAJ BHANOT
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CATHY BETTS
DEPUTY DIRECTOR

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

February 24, 2019

TO: The Honorable Senator Donovan Dela Cruz, Chair
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 462 SD 1 – RELATING TO NURSING FACILITY SUSTAINABILITY PROGRAM**

Hearing: Monday, February 25, 2019 10:30 a.m.
Conference Room 211, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this bill which is substantively similar to our administrative bill SB 1229. We appreciate the amendments made by the Committees on Human Services and Commerce, Consumer Protection and Health clarifying which facilities the provider fees are applicable.

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 Nursing Facility Sustainability Program and the Nursing Facility Sustainability Program Special Fund (the Special Fund) were established by Act 156, Session Laws of Hawaii 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, 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.

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.

We agree with the proposed amendment to extend exemptions from the central service expenses and administrative expenses assessments. 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.

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



February 25, 2019 at 10:30 am
Conference Room 211

Senate Committee on Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Gilbert S.C. Keith-Agaran

From: Paige Heckathorn Choy
Director of Government Affairs
Healthcare Association of Hawaii

Re: **Testimony in Support**
SB 462 SD 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

To: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Members, Committee on Ways and Means

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

Date: February 22, 2019

Hrg: Senate Committee on Ways and Means Decision Making; Monday, February 25, 2019 at
10:30 AM in Room 211

Re: Strong support for S.B. 462, S.D. 1, Relating to the Nursing Facility Sustainability
Program

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 S.B. 462, S.D. 1 which continues the Nursing Facility Sustainability Program for two years. It also appropriates funds out of the Nursing Facility Sustainability Program Special Fund for fiscal years 2019-2020 and 2020-2021. We concur with Healthcare Association of Hawaii's testimony and their clarifying amendments. 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.

LATE

SB-462-SD-1

Submitted on: 2/24/2019 4:34:30 PM

Testimony for WAM on 2/25/2019 10:30:00 AM

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

Comments:



LATE

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

February 25, 2019 at 10:30 am

Senate Committee on Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Gilbert S.C. Keith-Agaran

From: Kurt Akamine, Vice President
Ohana Pacific Management Company

Re: **Testimony in Support**
SB 462 SD 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 SB 462 SD 1, 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.

February 24, 2019

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

Re: SB 462 SD1 – Relating to the Nursing Facility Sustainability Program

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on SB 462, SD1, 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 4.0 per cent 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. Finally, 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