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February 7, 2019

TO: The Honorable Senator Russell E. Ruderman, Chair
Senate Committee on Human Services

The Honorable Senator Rosalyn H. Baker, Chair
Senate Committee on Commerce, Consumer Protection and Health

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 462 – RELATING TO NURSING FACILITY SUSTAINABILITY PROGRAM**
(revised)
Hearing: Friday, February 8, 2019 2:45 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this bill which is substantively similar to our administrative bill SB 1229.

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. We also recognize that some additional amendments may be needed for further clarity on the program.

The Nursing Facility Sustainability Program currently will be repealed on June 30, 2019, with funding provisions to be repealed on December 31, 2019.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.



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Russell E. Ruderman, Chair
The Honorable Karl Rhoads, Vice Chair
Members, Committee on Human Services

The Honorable Rosalyn H. Baker, Chair
The Honorable Stanley Chang, Vice Chair
Members, Committee on Commerce, Consumer Protection, and Health

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

Date: February 5, 2019

Hrg: Senate Committee on Human Services and Committee on Commerce, Consumer
Protection, and Health Joint Hearing; Friday, February 8, 2019 at 2:45 PM in Room 016

Re: Support for S.B. 462, 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 support of S.B. 462, 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.

SB-462

Submitted on: 2/4/2019 9:34:08 PM

Testimony for HMS on 2/8/2019 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kurt Akamine	Testifying for Ohana Pacific Management Company	Support	No

Comments:



February 8, 2019 at 2:45 pm
Conference Room 016

Senate Committee on Human Services
Senate Committee on Commerce, Consumer Protection, and Health

To: Chair Russell E. Ruderman
Vice Chair Karl Rhoads

Chair Rosalyn H. Baker
Vice Chair Stanley Chang

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

Re: **Testimony in Support**
SB 462, 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 **support** of this bill with amendments. 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.

To ensure that we are fully accurate in the providers included in this program, we would request one small, clarifying amendment to Section 3 (which starts on page 4, line 13) to ensure that all facilities owned, operated by, or affiliated with the Hawaii Health Systems Corporation (HHSC) are not included. The public HHSC facilities are not included because they participate in a separate program to help them cover their uncompensated care costs. By clarifying that affiliated facilities are not included, we are ensuring that Kahuku—which is affiliated with HHSC—will participate in the same program as the public facilities, rather than this program.

The requested amendments (in red, and highlighted in part) read as follows:

SECTION 3. Section 346F-5, Hawaii Revised Statutes, is amended by amending subsections (c) and (d) to read as follows:

(c) The nursing facility sustainability fee shall not exceed [~~four~~] five and a half per cent of net patient service revenue and shall be calculated and paid on a per resident day basis, unless the facility qualifies for an exemption identified in subsection (d)(1). The per resident daily fee shall [~~be \$13.46~~] not exceed \$20.00 for each affected facility, except for facilities described in subsection (d)(2), which instead shall pay a per resident reduced daily fee [~~of \$5.85~~] not to exceed \$9.00.

(d) In accordance with the redistribution method set forth in title 42 Code of Federal Regulations section 433.68(e)(1) and (2), the department shall seek a waiver of the broad-based and uniformity provider fee requirements under federal law from which to exclude certain nursing facilities and to permit certain high volume medicaid nursing facilities or facilities with a high number of total annual patient days to pay the sustainability fee at a lesser amount per resident day, as follows:

(1) The department shall exempt the following nursing facility providers from the nursing facility sustainability fee subject to federal approval under title 42 Code of Federal Regulations section 433.68(e)(2):

(A) Nursing facilities with twenty-eight or fewer licensed beds;

(B) Nursing facilities owned, [~~or~~] operated by, or affiliated with the Hawaii health systems corporation; and

(C) Continuing care retirement communities.

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 alike.

SB-462

Submitted on: 2/7/2019 2:38:06 PM

Testimony for HMS on 2/8/2019 2:45:00 PM

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: