

Honolulu, Hawaii

FEB - 7 2023

RE: S.B. No. 314  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Health and Human Services, to which was referred S.B. No. 314 entitled:

"A BILL FOR AN ACT RELATING TO NURSING FACILITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Preserve access to health care for Medicaid recipients by continuing and strengthening the Nursing Facility Sustainability Program by:
  - (A) Making the program permanent;
  - (B) Making the Nursing Facility Sustainability Program Special Fund's exemption from the central service expenses assessment and the administrative expenses assessment permanent; and
  - (C) Appropriating funds out of the Nursing Facility Sustainability Special Fund for the program; and
- (2) Repeal State law governing tax imposed on nursing facility income.

Your Committee received testimony in support of this measure from the Department of Human Services, Hawai'i Pacific Health,



Healthcare Association of Hawaii, Palolo Chinese Home, Hilo Medical Center Foundation, Hawai'i Primary Care Association, Democratic Party of Hawai'i Kūpuna Caucus' Health and Medical Services Sub-Committee, The Queen's Health System, Kaiser Permanente Hawai'i, and Aloha Nursing Rehab Centre. Your Committee received comments on this measure from the Department of Taxation.

Your Committee finds that, in recognition that reimbursements from Medicaid are less than the actual costs of care provided to Medicaid recipients, the Legislature established the Nursing Facility Sustainability Program and the Nursing Facility Sustainability Program Special Fund in 2012 to increase Medicaid payments to nursing facilities. The program functions by assessing provider fees on health care items or services provided by nursing facilities and using the collected fees as a basis to obtain federal Medicaid matching funds. The aggregate state and federal funds are then distributed to nursing facilities as supplemental payments to reduce Medicaid uncompensated care losses. Your Committee also finds that due to the nature of the federal Medicaid matching formula, increasing the provider fees assessed on nursing facilities under the program can result in a substantial increase in the State's receipt of federal Medicaid payments without negatively impacting the State's budget. Your Committee also finds that the Nursing Facility Sustainability Program has successfully helped Hawaii's nursing facilities offset losses, thereby allowing them to continue treating the most vulnerable patients in the State. The program, however, is scheduled to be repealed on December 31, 2023, with funding provisions scheduled to repeal on June 30, 2024. This measure will enhance and make the Nursing Facility Sustainability Program permanent, which will preserve and improve access to quality health care for Medicaid recipients in the State.

Your Committee has amended this measure by:

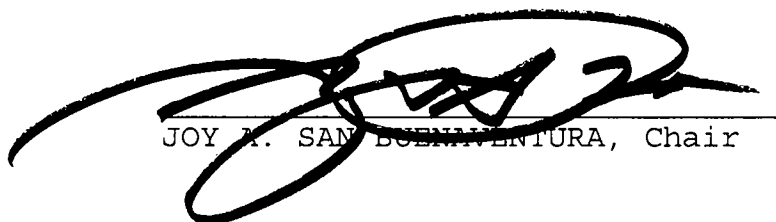
- (1) Deleting technical, nonsubstantive amendments made to sections 36-27 and 36-30, Hawaii Revised Statutes, that relate to the Hospital Sustainability Program Special Fund;
- (2) Clarifying that there is only one nursing facility trade association located in Hawaii;



- (3) Amending section 1 to reflect its updated purposes;
- (4) Inserting an effective date of December 31, 2050, to encourage further discussion; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Health and Human Services that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 314, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 314, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Health and Human  
Services,



JOY A. SAN BUENAVENTURA, Chair



