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GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

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DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.B. No.1369, H.D. 1, S.D. 1, Relating to Nursing Facilities

BEFORE THE:

Senate Committee on Ways and Means

DATE: Thursday, March 30, 2023
TIME: 10:05 a.m.
LOCATION: State Capitol, Room 211

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

The Department of Taxation ("Department") offers the following comments regarding H.B. 1369, H.D. 1, S.D. 1, for your consideration.

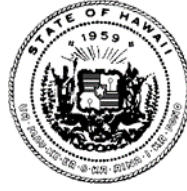
H.B. 1369, H.D. 1, S.D. 1, repeals chapter 346E, Hawaii Revised Statutes (HRS), relating to the Nursing Facility Tax, and repeals section 237-24.7, HRS, which exempts taxes on nursing facility income imposed by chapter 346E, HRS, and passed on and collected by operators of nursing facilities, from the general excise tax. The measure shall take effect upon approval.

The Department is able to administer section 3 of this measure, relating to the repeal of the general excise tax exemption, by its current effective date.

The Department further notes that it expects no material revenue impact as a result of section 3 of this measure.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



CATHY BETTS
DIRECTOR
KA LUNA HO'OKELE

JOSEPH CAMPOS II
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWELAWE KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 29, 2023

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

FROM: Cathy Betts, Director

SUBJECT: [HB 1369 HD1 SD1](#) - RELATING TO NURSING FACILITIES.

Hearing: March 30, 2023, 10:05 a.m.
Conference Room 211 & Via Videoconferencing, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this bill as it is similar to administration measures. The appropriation amount from the Nursing Facility Special Fund in the original HB 1369 was \$24,000,000.

PURPOSE: This bill is to preserve access to health care for Medicaid recipients and strengthen the nursing facility program by (1) repealing the sunset dates of Act 156, SLH 2012, and Act 124, SLH 2014, thereby making the nursing sustainability program permanent and permanently exempting the program from the central service and administrative expenses assessments; (2) Repealing the nursing facility tax; and (3) Appropriating funds from the nursing facility sustainability program special fund. Effective upon approval. (SD1)

The HD1 amended the measure by:

- (1) Clarifying that DHS may modify, add to, or exclude facilities exempt from the Nursing Facility Sustainability Fee Assessment if necessary for Centers for Medicaid and Medicaid Services approval and if the modification is otherwise consistent with the Nursing Facility Sustainability Program requirements;
- (2) Clarifying that DHS may impose the Nursing Facility Sustainability Fee on a monthly basis and the timeframe in which the fee must be paid;

- (3) Changing the appropriation to an unspecified amount;
- (4) Defecting the effective date; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

The SD 1 amended the measure by:

- (1) Amending other provisions within the Hawaii Revised Statutes to conform to the statutory amendments made by this measure;
- (2) Making it effective upon its approval; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

DHS strongly supports this bill which will make the Nursing Facilities Sustainability Program permanent and continue the exemptions from special fund fees for the Nursing Facility Sustainability Program Special Fund. The State – government and providers - have successfully implemented the Nursing Facility Sustainability Program and the associated special fund for over ten years. The Special Fund receives moneys from the Nursing Facility Sustainability Fee, which is then used to match federal Medicaid funds. The total combined funds are used to increase reimbursements and pay for performance payments for quality improvement activities to the nursing facilities through capitation payments, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the safety net and to incentivize quality using pay for performance.

DHS has worked closely with the Healthcare Association of Hawaii on this measure and appreciates its advocacy to ensure this program becomes permanent and that exemptions from the special fund expenses are permanent.

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

Thursday, March 30, 2023 at 10:05 AM
Via Video Conference; Conference Room 211

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Gil Keith-Agaran, Vice Chair

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

Re: **Testimony in Support of HB 1369, HD1, SD1
Relating to The Nursing Facility Sustainability Program**

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

HPH writes in support of HB 1369, HD1, SD1 which makes permanent and amends the Nursing Facility Sustainability Program.

Recognizing that Medicaid payments to nursing facilities remain below the actual costs of delivering care, the Legislature created the Nursing Facility Sustainability Program in 2012, which improves Medicaid payments to nursing facilities. The Nursing Facility Sustainability Program assists nursing facilities in the State by mitigating losses that are incurred when taking care of underserved populations, and ensures access for seniors needing long-term care. No general funds support the Program. Nursing facilities play a critical role in the continuum of care certain patients need upon being discharged from an acute care hospital.

Our hospital system experiences a significant waitlist of patients to be transferred to sub- or post-acute care settings. Nursing facilities fill that gap. These patients no longer need acute care but because of limited community-based resources and low Medicaid reimbursement, our hospitals are unable to discharge patients to nursing facilities. This situation in turn creates a waitlist for patients requiring admission to the hospitals for acute care.

Making the Nursing Facility Sustainability Program permanent through this measure will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.



**Testimony to the Senate Committee on Ways and Means
Thursday, March 30, 2023; 10:05 a.m.
State Capitol, Conference Room 211
Via Videoconference**

RE: HOUSE BILL NO. 1369, HOUSE DRAFT 1, SENATE DRAFT 1, RELATING TO NURSING FACILITIES.

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

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** House Bill No. 1369, House Draft 1, Senate Draft 1, RELATING TO NURSING FACILITIES.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This bill, as received by your Committee, would:

- (1) Permanently exempt the Fund from the central service expenses assessment and the administrative expenses assessment;
- (2) Repeal the Nursing Facility Tax;
- (3) Clarify that the Department of Human Services (DHS) may modify, add to, or exclude facilities from the Nursing Facility Sustainability Fee Assessment if necessary for Centers for Medicaid and Medicare Services approval, and if the modification is otherwise consistent with the Nursing Facility Sustainability Program;
- (4) Clarify that DHS may impose the Nursing Facility Sustainability Fee on a monthly basis and the timeframe in which the fee must be paid; and

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(5) Take effect upon approval.

Recognizing that Medicaid payments to nursing facilities were far below the actual costs of care, the Legislature enacted Act 156, SLH 2012, to establish the Program and increase Medicaid payments to nursing facilities. The Program achieves this by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities.

We urge your favorable consideration of this bill.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.



THE QUEEN'S HEALTH SYSTEM

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

From: Jace Mikulanec, Director, Government Relations, The Queen's Health System

Date: March 30, 2023

Re: Testimony in Support of HB1369 HD1, SD1: Relating to Nursing Facilities

The Queen's Health System (Queen's) is a nonprofit 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, and more than 10,000 affiliated physicians, caregivers, and dedicated medical staff 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 testify in **support** for HB1369 HD1, SD1 which makes the Nursing Facility Sustainability Program permanent and appropriates funds out of the Nursing Facility Sustainability Program Special Fund. The Nursing Facility Sustainability Program assists nursing facilities in Hawai'i by mitigating losses that are incurred when taking care of underserved populations. These facilities play a crucial role in the continuum of care for our community.

For hospitals like The Queen's Medical Center-Punchbowl (QMC-PB), which experiences a waitlist of over 30 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 toward this important program.

The mission of The Queen's Health System 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.



March 30, 2023 at 10:05 am
Conference Room 211

Senate Committee on Ways and Means

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

From: Hilton Raethel
President & CEO
Healthcare Association of Hawaii

Re: **Strong Support**
HB 1369 HD1, SD1 Relating to Nursing Facilities

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 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.

Thank you for the opportunity to provide testimony in **strong support** of this bill, which would make the nursing facility sustainability program permanent. The nursing facility sustainability program is a key tool for the State to help ensure access to critical services for Medicaid enrollees. Most importantly, this **benefit is achieved without the use of any state general funds**. This is because the program levies a fee on participating providers. The funds generated through that fee are then used to draw down federal Medicaid dollars and are distributed back to the providers to help them cover the gap between what Medicaid reimburses and what Medicare reimburses. Although neither program covers the full cost of providing care, it is essential in helping to shore up the financial sustainability of the nursing facility system in the state.

The sustainability program was first established in 2012 when, recognizing that Medicaid payments were below the actual costs of care for nursing facilities, the legislature authorized 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 public and private entities to help increase access to care for Medicaid recipients. The nursing facility sustainability program has proven successful for providers, beneficiaries, and the state, which is why this bill proposes to make the program permanent.

We would also note that, although the current appropriation in the bill is blanked out, the number should ultimately be \$27 million. This number represents a \$7 million increase from 2021, to allow for nursing facilities to maximize the tax rate and draw down additional federal dollars.

Thank you for the opportunity to provide supportive testimony for this critical program, which will help the state protect access to care for hundreds of thousands of Hawaii residents. We will continue our partnership with MedQUEST and appreciate your consideration of this important measure.