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TRISTA SPEER
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March 30, 2025

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

FROM: Ryan I. Yamane, Director

SUBJECT: **HB 713 HD1 SD1– RELATING TO A RATE STUDY FOR HOME HEALTH SERVICES.**

Hearing: March 31, 2025, 10:02 a.m.
Conference Room 211 & via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of the measure and offers comments. DHS respectfully requests that this program and appropriation not conflict with, reduce, or replace priorities identified in the executive budget.

PURPOSE: The purpose of this bill is to provide funding for DHS to conduct a rate study for Medicaid home health services in Hawaii. Effective 12/31/2050 (SD1).

The House Committee on Human Services and Homelessness amended this measure by:

- (1) Changing the appropriation to an unspecified amount;
- (2) Specifying that the appropriation shall be for only fiscal year 2025-2026, as the rate study proposed by this measure can be completed within one fiscal year;
- (3) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

The Senate Committee on Health and Human Services amended this measure by inserting an effective date of December 31, 2050, and in the committee report, it requests consideration of inserting an appropriation of \$500,000, which is comprised of \$250,000 in state funds and \$250,000 in federal funds.

DHS appreciates the intent to provide funding for DHS to do a rate study for these services. Home health services provide skilled medical care, such as physical therapy, occupational therapy, wound care, and management of chronic conditions, delivered by licensed professionals like nurses and therapists. These services are often prescribed by a physician and are designed to address the medical needs of patients recovering from surgery, illness, or managing complex health conditions. We note that these services are not Home and Community Based In-Home personal care or chore services that assist with daily living activities such as meal preparation, cleaning, and bathing.

DHS previously worked with our actuaries and completed rate studies for various Home and Community Based Services and Applied Behavioral Analysis Services, which were submitted to the Legislature prior to the 2023 and 2024 legislative sessions, respectively. DHS would likely work with our actuaries for this rate study, and estimates the cost to do this rate study would be approximately \$500,000, with 50% of the cost to be covered by federal funds (\$250,000 N funds/\$250,000 A funds).

DHS respectfully requests that this program and appropriation not conflict with, reduce, or replace priorities identified in the executive budget.

Lastly, DHS notes that any reductions to federal funding levels for the Medicaid program will impact our ability to execute programs at current levels and may make the execution of the changes proposed in this bill difficult or impossible to accomplish.

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



March 31, 2025 at 10:02 am
Conference Room 211

Senate Committee on Ways and Means

To: Chair Donovan M. Dela Cruz
Vice Chair Sharon Y. Moriwaki

From: Paige Heckathorn Choy
AVP, Government Affairs
Healthcare Association of Hawaii

Re: **Strong Support**
HB 713 HD 1 SD 1, Relating to a Rate Study for Home Health Services

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 30,000 people statewide.

We write today in **strong support** of this measure, which would fund a rate study by the Med-QUEST division to determine the costs of providing home health services and provide recommendations on appropriate reimbursement levels. This measure is essential to ensuring fairness in accessing home health services for Med-QUEST enrollees across our state.

Home health services are an indispensable component of our healthcare system. These services include skilled care such as physical therapy, occupational therapy, speech therapy, wound care, and management of complex chronic conditions. Home health allows patients recovering from surgery or acute illnesses to receive necessary care in the comfort of their homes, avoiding costly hospitalizations and institutionalization. This model not only promotes patient recovery and quality of life but also aligns with the goals of efficient healthcare delivery.

Home health services in Hawaii are increasingly needed as the population ages, yet reimbursement rates are not adequate to ensure access for our most vulnerable populations. The Partnership for Quality Home Healthcare projects that Medicare will reduce funding for home health services by \$25 billion between 2020 and 2029. Further, we found that in a survey completed by our home health members that agencies lose an average of \$1,186 per Medicaid patient served. These losses have led to a decrease in the proportion of Medicaid patients served by these agencies, dropping from 25% in 2020 to 16% in 2024.

Additionally, increasing costs—particularly labor costs—compound these challenges. The 2022 Workforce Report by the Healthcare Association of Hawaii highlighted a 39% vacancy rate for home health nurses in the state. This alarming figure underscores the insufficiency of current reimbursement rates to support competitive wages and retain a qualified workforce, putting the availability of home health services at further risk.

We would like to note that the legislature is considering other measures related to home care services. While both types of services are important, home health and home care services encompass very different activities and skills. Home health services involve higher-level skilled medical care, such as physical therapy, occupational therapy, wound care, and management of chronic conditions, delivered by licensed professionals like nurses and therapists. These services are often prescribed by a physician and are designed to address medical needs for patients recovering from surgery, illness, or managing complex health conditions.

In contrast, home care services focus on non-medical assistance with daily living activities such as bathing, dressing, meal preparation, and companionship, typically provided by trained aides. While both aim to support individuals in their homes, home health emphasizes medical care, and home care prioritizes personal and supportive assistance.

Thank you for your consideration of this important measure, which is an important step in ensuring access to home health services for all residents in Hawaii.