

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

DR 22.060.1

January 10, 2023

The Honorable Ronald D. Kouchi, President
and Members of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

Enclosed is the following Addendum to the December 2022 report submitted in response to Senate Resolution 4 Senate Draft 1 Requesting The Department Of Human Services To Study The Feasibility Of Increasing The Medicaid Reimbursement Rates For Community Care Foster Family Homes, Expanded Adult Residential Care Homes, And Other Types Of Home And Community Based Service Care Providers And Services.

In accordance with section 93-16, HRS, the report is available to review electronically at the Department's website, at <https://humanservices.hawaii.gov/reports/legislative-reports/>.

Sincerely,

Cathy Betts
Director

Enclosure

c: Governor's Office
Lieutenant Governor's Office
Department of Budget & Finance
Legislative Auditor
Legislative Reference Bureau Library (1 hard copy)
Hawaii State Public Library, System State Publications Distribution Center (2 hard copies, 1 electronic copy)

Hamilton Library, Serials Department, University of Hawaii (1 hard copy)

**ADDENDUM TO
REPORT TO THE THIRTY-SECOND HAWAII STATE LEGISLATURE 2023**

**Submitted In Response To Senate Resolution 4 Senate Draft 1
Requesting The Department Of Human Services To Study The
Feasibility Of Increasing The Medicaid Reimbursement Rates For
Community Care Foster Family Homes, Expanded Adult Residential
Care Homes, And Other Types Of Home And Community Based Service
Care Providers And Services**

**DEPARTMENT OF HUMAN SERVICES
MED-QUEST Division
JANUARY 2023**

ADDENDUM:

This is an addendum to the legislative report submitted in December 2022¹ responding to Senate Resolution 4, SD 1, Session Laws of Hawaii (SLH) 2022, on conducting a rate study on Home and Community Based Services.

1. After further review, we noted an error in the General Fund calculations in the table (page 4), Estimated Modeled Comparison Rate Impact, and associated narrative summary. Changes are highlighted.

Estimated Modeled Comparison Rate Impact (in millions)

Scenarios	Low		Medium		High	
	Estimated Payment Change	Estimated General Fund	Estimated Payment Change	Estimated General Fund	Estimated Payment Change	Estimated General Fund
Residential services	\$13.50	\$5.59	\$27.90	\$11.56	\$30.10	\$12.47
In-home services	\$23.80	\$9.86	\$34.70	\$14.38	\$40.40	\$16.74
Case management services	\$0.50	\$0.21	\$1.30	\$0.54	\$2.30	\$0.95
Total Rate Study Services	\$37.90	\$15.71	\$64.00	\$26.52	\$72.90	\$30.21

The estimated spend and the general/federal fund estimates show that for the residential services of community care foster family homes (CCFFHs) and expanded adult residential care homes (E-ARCH) that an increase in spending of \$13.5M (\$5.6M A funds), \$27.9M (\$11.56M A funds) and \$30.1M (\$12.57M A funds) for the low, medium, and high rate scenarios, respectively.

The estimated payment increases range from \$23.8M (\$9.86M A fund) to \$40.4M (\$16.74M A funds) for In-home services to \$500k (\$210k A funds) to \$2.3M (\$950k A funds) for case management services. Therefore, the cost to increase all the HCBS Rate study services would range from \$38M (\$15.7M A funds) to \$73M (\$30.21M A funds).

2. We received comments to clarify the one-time pandemic payments allocated in Act 254, SLH 2022 (Act 254):

Act 254 provides one-time pandemic payments allocated for nursing facilities and CCFFHs/E-ARCHs. The rate study does not reflect the one-time pandemic payments because of the

¹ Link to the December 2022 report, https://humanservices.hawaii.gov/wp-content/uploads/2023/01/SR4-SD1_Rate-Study_signed.pdf

temporary nature of the Act 254 payments. Similarly, the temporary nature of the American Rescue Plan Act (ARPA), which funded capitation rate increases of approximately 5-8%, cited on page 3 of the December 2022 report, is why the rate study does not include the ARPA increases.

The Med-QUEST Division (MQD) is making Act 254 payments in two lump sums. MQD issued the first payment in December 2022, and the second payment will be paid in January or February 2023. The total pool for the one-time pandemic payments was estimated to be 15% of the total amount spent on CCFFHs and E-ARCHs.