
A BILL FOR AN ACT

RELATING TO MEDICAID REIMBURSEMENTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii's health care
2 system consists of a myriad of services that must be coordinated
3 and integrated to ensure access to quality care at the
4 appropriate level for all of Hawaii's residents. An individual
5 often accesses different health care providers delivering
6 different products and services, and may transition from one
7 level of care to another over time. It is important to
8 effectively manage patients' transitions to facilities providing
9 the appropriate level of care to maintain the availability of
10 services at all levels, more accurately address patient needs,
11 and ensure efficient and cost effective service delivery.

12 The legislature further finds that this transition has been
13 particularly difficult between acute care hospitals and
14 long-term care facilities. Often, patients no longer needing
15 hospitalization, but still requiring medical services, are
16 waitlisted for long-term care due to a shortage of available
17 space in long-term care facilities. The unfortunate consequence
18 is a shortage of available space and service delivery at acute



1 care hospitals. Additionally, acute care hospitals are facing a
2 financial crisis due to the manner in which medicaid
3 reimbursements are allocated.

4 When a medicaid-eligible patient is treated by an acute
5 care hospital, medicaid pays a rate based upon the level of care
6 needed by the patient. When the patient is well enough to be
7 transferred to long-term care, the medicaid reimbursement is
8 reduced to a rate that is twenty to thirty per cent of the
9 actual cost of acute care hospitalization. If the hospital is
10 not able to transfer the patient to long-term care, it must
11 absorb the financial loss. This creates an unnecessary fiscal
12 burden on acute care hospitals, as their cost of care is
13 generally more fixed due to stringent regulatory and
14 quality-control requirements.

15 At any particular time, a total of about two hundred
16 patients in Hawaii's hospitals are waiting to be transferred to
17 long-term care. Patients with certain conditions have been
18 waitlisted for up to a year. The total loss to hospitals was
19 estimated at \$72,500,000 in 2008.

20 A significant portion of that loss is due to underpayment
21 by medicaid and its contracted health plans. Medicaid is, in
22 effect, a public-private partnership because the public sector



1 provides the funding and the private sector provides the
2 services. Unfortunately, medicaid reimbursements seldom cover
3 the actual cost of provided services, resulting in fiscally
4 weakened health care facilities and instability in the health
5 care system as a whole.

6 In the past, acute care hospitals were able to absorb
7 medicaid losses using payments from commercial and other payers
8 to offset under-funded medicaid reimbursements. But as the cost
9 of health care has increased, and significant developments in
10 medical technology have required acute care hospitals to
11 increase their capital investments, even these payments are no
12 longer enough to bridge the fiscal gap. The result for many of
13 these hospitals is financial failure. For example, without
14 annexation by the Hawaii health systems corporation, which is
15 subsidized by the State, Kahuku hospital would have ceased
16 operations due to bankruptcy. Underpayment by medicaid was
17 cited as one of the major reasons for Kahuku hospital's
18 financial difficulties.

19 The legislature is concerned that long-term care facilities
20 are also facing financial hardship as a result of inappropriate
21 medical reimbursements. Payments for patients with complex
22 medical conditions requiring additional care should be



1 cost-based rather than acuity-based to address the disparities
2 in the cost of services and service delivery.

3 The purpose of this Act is to provide fair compensation to:

4 (1) Acute care hospitals for the service they provide to
5 medicaid patients who have been treated for acute
6 illnesses and injuries and who have recovered
7 sufficiently so that they may be transferred to
8 long-term care, but for whom long-term care is not
9 available; and

10 (2) Long-term care facilities for patients with medically
11 complex conditions when their level of care changes
12 from acute to long-term care.

13 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
14 amended by adding a new section to be appropriately designated
15 and to read as follows:

16 "§346- Medicaid reimbursements. (a) Reimbursements by
17 medicaid and its contracted health plans to hospitals for
18 patients occupying acute-licensed beds and who are on a waitlist
19 for long-term care shall be at least equal to the rate paid for
20 acute care services.

21 (b) Reimbursements by medicaid and its contracted health
22 plans to facilities with long-term care beds for patients with



1 medically complex conditions who, prior to admission to the
2 facility were receiving acute care services in an acute care
3 hospital, shall be at least equal to the rate paid for subacute
4 care.

5 (c) As used in this section:

6 "Medically complex condition" means a combination of
7 chronic physical conditions, illnesses, or other medically
8 related factors that significantly impact an individual's health
9 and manner of living and cause reliance upon technological,
10 pharmacological, and other therapeutic interventions to sustain
11 life.

12 "Subacute care" means a level of care that is needed by a
13 patient not requiring acute care, but who needs more intensive
14 skilled nursing care than is provided to the majority of
15 patients in a skilled nursing facility."

16 SECTION 3. Section 346D-1.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
19 July 1, 2008, there shall be no distinction between hospital-
20 based and nonhospital-based reimbursement rates for
21 institutionalized long-term care under medicaid. Reimbursement
22 for institutionalized intermediate care facilities and



1 institutionalized skilled nursing facilities shall be based
2 solely on the level of care rather than the location. This
3 section shall not apply to critical access hospitals[-] or to
4 reimbursements made in accordance with section 346- .

5 The State's share of matching funds for reimbursements made
6 in accordance with section 346- shall be provided through
7 specifically-designated appropriations to the extent funding is
8 available. If specifically-designated funding is not available,
9 medicaid reimbursement shall be in accordance with the existing
10 medicaid payment methodology."

11 SECTION 4. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so
13 much thereof as may be necessary for fiscal year 2010-2011 for
14 increased medicaid reimbursement in accordance with this Act.

15 The sum appropriated shall be expended by the department of
16 human services for the purposes of this Act.

17 SECTION 5. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:

Medicaid; Hospital Reimbursements; Long-Term Care
Reimbursements; Appropriation

Description:

Requires medicaid reimbursement to hospitals for patients occupying acute-licensed beds who are on a waitlist for long-term care to be at least equal to the rate paid for acute care services; requires medicaid reimbursement to long-term care facilities for patients with medically complex conditions to be at least equal to the rate paid for subacute care; appropriates funds for increased reimbursements. Effective 07/01/2050.
(SD2)

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