
A BILL FOR AN ACT

RELATING TO HEALTH.

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

1 PART I

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

13 This transition has been particularly difficult between
14 acute care hospitals and long-term care facilities. Often,
15 patients no longer needing hospitalization, but still requiring
16 medical services, are waitlisted for long-term care due to a
17 shortage of available space in long-term care facilities. The



1 unfortunate consequence is a shortage of available space and
2 service delivery at acute care hospitals. Additionally, acute
3 care hospitals are facing a financial crisis due to the manner
4 in which medicaid reimbursements are allocated.

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

16 At any particular time, a total of about two hundred
17 patients in Hawaii's hospitals are waiting to be transferred to
18 long-term care. Patients with certain conditions have been
19 waitlisted for up to a year. The total loss to hospitals was
20 estimated at \$73,000,000 in 2008.

21 A significant portion of that loss is due to underpayment
22 by medicaid. The underpayment is unfair to acute care hospitals



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

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

19 Long-term care facilities are also facing financial
20 hardship as a result of inappropriate medical reimbursements.
21 Payments for patients with complex medical conditions requiring
22 additional care should be cost-based rather than acuity-based to



1 address the disparities in the cost of services and service
2 delivery.

3 The purpose of this part is to provide fair compensation to
4 acute care hospitals for the service they provide to medicaid
5 patients who have been treated for acute illnesses and injuries
6 and who have recovered sufficiently so that they may be
7 transferred to long-term care, but for whom long-term care is
8 not available. In addition, this part provides fair
9 compensation to long-term care facilities for patients with
10 medically complex conditions when their level of care changes
11 from acute to long-term care.

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

15 "§346- Medicaid reimbursements. (a) Medicaid
16 reimbursements to hospitals for patients occupying acute-
17 licensed beds who are on a waitlist for long-term care shall be
18 equal to the acute medical services payment rate.

19 (b) Medicaid reimbursements to facilities with long-term
20 care beds for patients with medically complex conditions who,
21 prior to admission to the facility were receiving acute care



1 services in an acute care hospital, shall be equal to the state
2 reimbursement rate for subacute care.

3 (c) As used in this section:

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

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

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

16 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
17 July 1, 2008, there shall be no distinction between hospital-
18 based and nonhospital-based reimbursement rates for
19 institutionalized long-term care under medicaid. Reimbursement
20 for institutionalized intermediate care facilities and
21 institutionalized skilled nursing facilities shall be based
22 solely on the level of care rather than the location. This



1 section shall not apply to critical access hospitals[-] or to
2 reimbursements made in accordance with section 346- ."

3 SECTION 4. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so much
5 thereof as may be necessary for fiscal year 2009-2010 for
6 increased medicaid reimbursement in accordance with this Act.

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

9 PART II

10 SECTION 5. There is appropriated out of the general
11 revenues of the State of Hawaii the sum of \$ or so
12 much thereof as may be necessary for fiscal year 2009-2010 for
13 emergency services at federally qualified health centers.

14 The sum appropriated shall be expended by the department of
15 health for the purposes of this Act.

16 SECTION 6. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$ or so
18 much thereof as may be necessary for fiscal year 2009-2010 for
19 the delivery of services at facilities under the safe house
20 program that provides for the mental and emotionally health of
21 at-risk youth.



S.B. NO. 417
S.D. 1
H.D. 1

Report Title:

Medicaid; Long-Term Care Reimbursements; Appropriation

Description:

Establishes reimbursement guidelines for medicaid to hospitals and facilities with long-term care beds. Makes appropriation for reimbursements, emergency services at Federally Qualified Health Centers, and safe house programs. (SB417 HD1))

SB417 HD1 HMS 2009-3220

