
A BILL FOR AN ACT

RELATING TO HEALTH.

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

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

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



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

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

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

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



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

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

17 Long-term care facilities are also facing financial
18 hardship as a result of inappropriate medical reimbursements.
19 Payments for patients with complex medical conditions requiring
20 additional care should be cost-based rather than acuity-based to
21 address the disparities in the cost of services and service
22 delivery.



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

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

13 "§346- Medicaid reimbursements. (a) Reimbursements by
14 medicaid and its contracted health plans to hospitals for
15 patients occupying acute care licensed beds who are on a
16 waitlist for long-term care shall be at least equal to the rate
17 paid for acute care services.

18 (b) Reimbursements by medicaid and its contracted health
19 plans to facilities with long-term care beds for patients with
20 medically complex conditions who, prior to admission to the
21 facility were receiving acute care services in an acute care



1 hospital, shall be at least equal to the rate paid for subacute
2 care services.

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
5 much thereof as may be necessary for fiscal year 2011-2012 for
6 increased medicaid reimbursements 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 SECTION 5. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

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

12



Report Title:

Health; Medicaid Reimbursements; Appropriation

Description:

Requires rates for medicaid reimbursements to hospitals keeping patients in beds to be equal to rates for similarly related services. Appropriates funds for increased medicaid reimbursements. Effective 7/1/2050. (SD1)

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