
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 an appropriate level for all
4 Hawaii residents. An individual often accesses different
5 healthcare providers who deliver different products and services
6 and the individual may transition from one level of care to
7 another over time. The legislature believes it is important to
8 effectively manage patient transition to facilities that provide
9 an appropriate level of care to maintain an availability of
10 services at all levels, more accurately address patient needs,
11 and ensure efficient and cost-effective service delivery.

12 The legislature finds that such a transition has been
13 particularly difficult between acute care hospitals and long-
14 term care facilities. Often, patients who no longer need
15 hospitalization but require medical services are waitlisted for
16 long-term care due to the shortage of available space in long-
17 term care facilities. The result is a shortage of available
18 space and service delivery at acute care hospitals. Moreover,



1 acute care hospitals face great financial hardship due to the
2 manner 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 on 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 unable to transfer the patient to long-term care, it must absorb
10 the financial loss, thus creating a fiscal burden on the acute
11 care hospital as its cost of care is generally more fixed due to
12 stringent regulatory and quality-control requirements.

13 At any time, a total of about two hundred patients in
14 Hawaii's hospitals are waiting to be transferred to a long-term
15 care facility. Patients with certain conditions have been
16 waitlisted for up to a year. The total loss to hospitals is
17 estimated at about \$75,000,000 annually, with a significant
18 portion of that loss due to underpayment by medicaid and its
19 contracted health plans. Medicaid is, in effect, a public-
20 private partnership because the public sector provides the
21 funding and the private sector provides the services.
22 Unfortunately, medicaid reimbursements seldom cover the actual



1 cost of services provided, thus resulting in fiscally-weakened
2 healthcare facilities and instability in the healthcare system
3 as a whole.

4 In the past, acute care hospitals were able to absorb
5 medicaid losses using payments from commercial and other payers
6 to offset under-funded medicaid reimbursements. However, as the
7 cost of healthcare has increased and significant developments in
8 medical technology has required acute care hospitals to increase
9 their capital investments, even these payments are no longer
10 adequate to bridge the fiscal gap. The result for many of these
11 hospitals is financial failure such as the case of Kahuku
12 hospital which would have ceased operations because of
13 bankruptcy if it had not been transferred to the Hawaii health
14 systems corporation, which is subsidized by the State. The
15 legislature finds that underpayment by medicaid is one of the
16 major reasons that led to Kahuku hospital's dire financial
17 difficulties.

18 The legislature further finds that long-term care
19 facilities also face financial hardship due to inappropriate
20 medical reimbursements. Therefore, payments for patients with
21 complex medical conditions who require additional care should be



1 cost-based rather than acuity-based to address disparities in
2 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 services they provide to
5 medicaid patients who have been treated for acute
6 illnesses and injuries and who have recovered
7 sufficiently but for whom long-term care is not
8 available; and

9 (2) Long-term care facilities for patients with medically-
10 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) Reimbursements by
16 medicaid and its contracted health plans to hospitals for
17 patients occupying acute-licensed beds who are on a waitlist for
18 long-term care shall be at least equal to the rate paid for
19 acute care services.

20 (b) Reimbursements by medicaid and its contracted health
21 plans to facilities with long-term care beds for patients with
22 medically-complex conditions who, prior to admission to the



1 facility, were receiving acute care services in an acute care
2 hospital, shall be at least equal to the rate paid for subacute
3 care.

4 (c) As used in this section:

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

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

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

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



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

4 SECTION 4. There is appropriated out of the general
 5 revenues of the State of Hawaii the sum of \$ or so much
 6 thereof as may be necessary for fiscal year 2012-2013 for
 7 increased medicaid reimbursement in accordance with this Act.


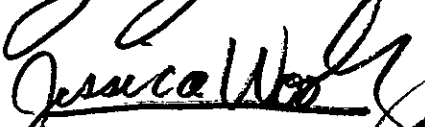
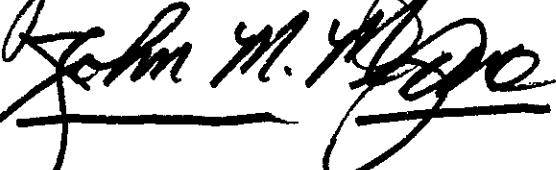
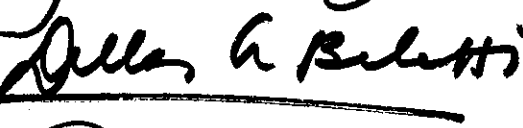


8 The sum appropriated shall be expended by the department of
 9 human services for the purposes of this Act.

10 SECTION 5. Statutory material to be repealed is bracketed
 11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act shall take effect on July 1, 2012.

13

INTRODUCED BY:


H.B. NO. 1954

Report Title:

Medicaid Reimbursements

Description:

Provides reimbursements by medicaid and its contracted health plans to hospitals for patients occupying acute-licensed beds who are waitlisted for long-term care and to facilities with long-term care beds for patients with medically-complex conditions who prior to admission to the facility were receiving acute care services in an acute care hospital. Effective July 1, 2012.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

