
A BILL FOR AN ACT

RELATING TO HEALTH.

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. The legislature finds that
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 The legislature further finds that the transition has been
14 particularly difficult between acute care hospitals and long-
15 term care facilities. Often, patients who no longer need
16 hospitalization, but still require medical services are
17 waitlisted for long-term care due to a shortage of available
18 space in long-term care facilities. The unfortunate consequence



1 is a shortage of available space and service delivery at acute
2 care hospitals. Additionally, acute care hospitals are facing a
3 financial crisis due to the manner in which medicaid
4 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 The legislature finds that at any particular time, a total
17 of about two hundred patients in Hawaii's hospitals are waiting
18 to be transferred to long-term care. Patients with certain
19 conditions have been waitlisted for up to a year. The total
20 loss to hospitals is estimated at about \$75,000,000 annually.

21 A significant portion of that loss is due to underpayment
22 by medicaid and its contracted health plans. Medicaid is, in



1 effect, a public-private partnership because the public sector
2 provides the funding and the private sector provides the
3 services. Unfortunately, medicaid reimbursements seldom cover
4 the actual cost of provided services, resulting in fiscally
5 weakened health care facilities and instability in the health
6 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 underfunded medicaid reimbursements. However, as the
10 cost of health care has increased, and significant developments
11 in medical technology have required acute care hospitals to
12 increase their capital investments, even these payments are no
13 longer enough to bridge the fiscal gap. The result for many of
14 these hospitals is financial failure. For example, Kahuku
15 hospital would have ceased operations due to bankruptcy if it
16 were not annexed by the Hawaii health systems corporation, which
17 is subsidized by the State. Underpayment by medicaid was cited
18 as one of the major reasons for Kahuku hospital's financial
19 difficulties.

20 Long-term care facilities are also facing financial
21 hardship as a result of inappropriate medicaid reimbursements.
22 Payments for patients with complex medical conditions requiring



1 additional care should be cost-based rather than acuity-based to
2 address the disparities in the cost of services and service
3 delivery.

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

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

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

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

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

1 (b) Reimbursements by medicaid and its contracted health
2 plans to facilities with long-term care beds for patients with
3 medically complex conditions who, prior to admission to the
4 facility were receiving acute care services at an acute care
5 hospital, shall be made in an amount at least equal to the rate
6 paid for subacute care.

7 (c) As used in this section:

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

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

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

20 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
21 July 1, 2008, there shall be no distinction between hospital-
22 based and nonhospital-based reimbursement rates for



1 institutionalized long-term care under medicaid. Reimbursement
2 for institutionalized intermediate care facilities and
3 institutionalized skilled nursing facilities shall be based
4 solely on the level of care rather than the location. This
5 section shall not apply to critical access hospitals[-] or to
6 reimbursements made in accordance with section 346- ."

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

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

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

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



Report Title:

Long-term Care; Health; Acute Care Hospitals; Medicaid Reimbursements; Appropriation

Description:

Provides for fair medicaid reimbursements to acute care hospitals and long-term care facilities. Makes an appropriation for the increased medicaid reimbursements. Effective 7/1/2050. (SD2)

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