

JAN 25 2012

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# A BILL FOR AN ACT

RELATING TO HEALTH CARE COORDINATION.

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

1           SECTION 1. The legislature finds that health care  
2 providers in the county of Maui, including Maui memorial medical  
3 center and Hale Makua Health Services, have been highly  
4 successful in serving the residents of the county for  
5 generations. However, recent changes in government policies and  
6 rules or regulations, changing demographics, and a changing  
7 marketplace have made it extremely difficult for health care  
8 providers in the county to maintain a level of efficiency in a  
9 financially sustainable way.

10           In assessing the situation, the legislature finds that  
11 Maui's population is growing rapidly, yet the island has limited  
12 health care infrastructure. The population is also aging  
13 rapidly, as many retirees are migrating to Maui from Oahu, other  
14 parts of the State, and the mainland. In fact, the elderly  
15 population on Maui is expected to double by 2035. Maui has also  
16 been more affected by the recession than other parts of the  
17 State, and there has been a recent increase in the unemployment  
18 rate and corresponding decrease in average household income.



1           Given its unique topography and patterns of population  
2 density, access to health care is one of the most challenging  
3 issues in Maui county, and is exacerbated by the county's rural  
4 population and shortage of health care providers. Health care  
5 provision in Maui county is fragmented and is comprised of  
6 independent providers that deliver care on an episodic basis.  
7 This lack of coordinated care results in an inefficient delivery  
8 system across the continuum of care.

9           The legislature further finds that post-acute care options  
10 in Maui are limited as a result of the poor overall payer mix,  
11 in addition to the challenges of caring for patients with  
12 special needs. The overall payer mix is disproportionately  
13 weighted toward medicaid, which creates a financial burden for  
14 Maui's limited sub-acute providers and often results in the  
15 delay or refusal of transfers of low- or no-pay patients. The  
16 State of Hawaii's recent decision to privatize the medicaid  
17 program for the aged, blind, and disabled has also adversely  
18 affected the census in post-acute facilities as well as  
19 reimbursements for care of vulnerable populations.

20           In addition, there is inadequate physician coverage to  
21 admit and discharge patients from post-acute care facilities,  
22 and an underutilization of home health agency options. Hawaii's



1 diverse cultural preferences contribute to a higher percentage  
2 of patients choosing to die in the hospital rather than in a  
3 home-setting, which impacts costs and further exacerbates the  
4 waitlist issue. The inability of post-acute care providers to  
5 accept high cost patient admissions contributes to a high  
6 waitlist in acute care facilities, limiting availability of  
7 other acute care services.

8 Maui memorial medical center, the county's largest full-  
9 service acute care facility, maintains a high census of patients  
10 who are in the acute care setting while waiting for discharge to  
11 a post-acute setting. Over the past two years, twenty-five to  
12 forty "waitlist" patients occupied acute care beds every day  
13 because of a lack of viable discharge options. The waitlist of  
14 patients causes Maui memorial medical center to delay or divert  
15 acute care admissions, resulting in additional burdens for  
16 patients and other providers. Although there is another acute  
17 care hospital on Maui, the travel distance from central Maui and  
18 high elevation location of the facility limit the care that can  
19 be provided there.

20 Furthermore, the legislature finds that there is a shortage  
21 of long-term care and skilled nursing facility beds for special  
22 needs patients, which results in an extensive waitlist. Hale



1 Makua Health Services, Maui's largest skilled nursing facility,  
2 experiences a negative margin for medicaid patients, who  
3 constitute approximately seventy to eighty per cent of the  
4 facility's payer mix. Because of thin reimbursement margins and  
5 additional costs associated with intravenous therapy  
6 antibiotics, expensive medications, and one-on-one care for  
7 patients with behavioral challenges, Hale Makua Health Services  
8 is often unable to take Maui memorial medical center's  
9 waitlisted patients. The weakening payer mix and recent  
10 regulatory changes have resulted in over sixty empty beds in  
11 Hale Makua Health Services' two nursing homes. Hale Makua  
12 Health Services has had to consolidate and decertify thirty-four  
13 skilled nursing beds, and is seeking to change licensure to a  
14 care home, further reducing skilled nursing facility capacity.

15 The legislature therefore finds that these challenges in  
16 Maui county to health care delivery and coordination at multiple  
17 levels of care have risen to a crisis level. The resolution of  
18 the crisis requires coordinated efforts of private and public  
19 health care providers, providing care at all levels of care.  
20 Without an aggressive response to these challenges, the  
21 viability of community-based non-profit entities providing  
22 health care in the community is jeopardized. This will create a



1 downward spiral of deterioration that could exacerbate the  
2 existing crisis.

3 In response, Maui memorial medical center and Hale Makua  
4 Health Services have been evaluating a number of organizational  
5 alternatives to facilitate long-term stability in the health  
6 care delivery system in a cost-effective way and have opened  
7 discussions to identify opportunities for collaboration. One of  
8 the goals is to achieve operational synergies and cost  
9 efficiency that will address the crisis and benefit both  
10 organizations, which will in turn benefit residents of Maui  
11 county. Options for collaboration may include organizational  
12 realignment and affiliation strategies. Both organizations are  
13 also working diligently to develop a partnership plan to provide  
14 sustainable, effective, well-coordinated, quality health care at  
15 all levels in certain parts of the State.

16 The legislature finds that innovative partnerships have  
17 long been a means of addressing challenges arising from  
18 structural changes in the health care industry. To realize  
19 effective partnerships to resolve a crisis of this magnitude  
20 requires support from the State of Hawaii. It is therefore the  
21 intent of the legislature to support the resolution of the  
22 current crisis in health care delivery and coordination in Maui.



1           The purpose of this Act is to establish a public-private  
2 partnership to research, facilitate, develop, and implement a  
3 model and system of collaborative health care delivery in a  
4 county with a population between 100,000 and 170,000 that moves  
5 patients, including acute care patients, throughout the  
6 continuum of care efficiently, appropriately, and cost  
7 effectively.

8           The legislature believes that the public-private  
9 partnership established by this Act will encourage appropriate  
10 discharge of patients not requiring acute care from acute  
11 settings and placement of those patients into appropriate sub-  
12 acute care settings for more efficient and cost effective  
13 quality post-acute care, will serve patients better, and will  
14 also expand inpatient capacity at acute facilities. This will  
15 allow acute care providers to better serve those within its  
16 service area who need care in an acute setting.

17           The resulting model of health care delivery to be  
18 implemented by this public-private partnership will address the  
19 crisis in the post acute care environment and health care access  
20 and quality of care at all levels, while maximizing capacity and  
21 increasing operational and financial viability of public and  
22 private providers.



1 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4 **"§323F- Public private partnership.** (a) There is  
5 established within the Hawaii health systems corporation for  
6 administrative purposes only a public-private partnership in a  
7 county with a population between 100,000 and 170,000, to  
8 research, develop, and implement a model of health care delivery  
9 that addresses the coordination of care across the spectrum of  
10 care from acute, to skilled nursing facility, to home,  
11 seamlessly, efficiently, appropriately, and in a cost-effective  
12 manner.

13 (b) The public-private partnership shall:

- 14 (1) Work to resolve the crisis that currently exists in  
15 the post acute care environment;
- 16 (2) Expand inpatient capacity;
- 17 (3) Improve access to and quality of health care; and
- 18 (4) Enhance operational and financial viability of public  
19 and private health providers at all levels of care.

20 (c) The public-private partnership shall be mutually  
21 beneficial to stakeholders and consumers and shall be based upon  
22 the following:



- 1        (1) Short term goals:
- 2            (A) Provide a mechanism to move waitlisted patients
- 3            to an appropriate long-term care setting;
- 4            (B) Provide appropriate financial support to allow
- 5            for the movement of patients along the continuum
- 6            of care, regardless of the ability to pay;
- 7            (C) Maintain the financial viability of skilled
- 8            nursing facilities by providing adequate funding
- 9            from all sources; and
- 10           (D) Maintain the financial viability of full-service
- 11           acute care facilities by reducing the number of
- 12           waitlisted patients.
- 13        (2) Long term goals:
- 14           (A) Improve the continuity of care and efficiency
- 15           between providers;
- 16           (B) Enhance the quality of patient care;
- 17           (C) Create a patient-centered health care
- 18           infrastructure;
- 19           (D) Maximize capacity and increase operational and
- 20           financial viability among network organizations;
- 21           (E) Optimize existing resources to maximize return;





- 1           (F) Facilitate the transition of care between
- 2           different levels of care;
- 3           (G) Reduce unnecessary transfers of patients and
- 4           attract medically appropriate transfers from
- 5           neighboring islands;
- 6           (H) Create reimbursement mechanisms that support
- 7           integrated efforts;
- 8           (I) Reduce unnecessary health care use and prevent
- 9           unnecessary hospitalizations and readmissions;
- 10           and
- 11           (J) Expand access to specialty services to counties
- 12           with populations of less than 500,000."

13           SECTION 3. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$1,500,000 or so much  
15 thereof as may be necessary for fiscal year 2012-2013 to carry  
16 out the purposes of this Act, including the hiring of necessary  
17 staff.

18           The sum appropriated shall be expended by the Hawaii health  
19 systems corporation for solely the purposes of this Act.

20           SECTION 4. New statutory material is underscored.



# S.B. NO. 2935

1 SECTION 5. This Act shall take effect upon its approval;  
2 provided that section 3 shall take effect on July 1, 2012.

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# S.B. NO. 2935

**Report Title:**

Health Care Coordination; Acute Care; Appropriation

**Description:**

Establishes a public-private partnership in a county with a population between 100,000 and 170,000; partnership to develop an integrated system to deliver health care across the spectrum of care; partnership to work at addressing the current crisis in acute care.

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