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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 high level of efficiency  
9 in a financially sustainable way.

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



1 unemployment rate and corresponding decrease in average  
2 household income.

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

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



1 In addition, there is inadequate physician coverage to  
2 admit and discharge patients from post-acute care facilities,  
3 and an underutilization of home health agency options. Hawaii's  
4 diverse cultural preferences contribute to a higher percentage  
5 of patients choosing to die in the hospital rather than in a  
6 home-setting, which impacts costs and further exacerbates the  
7 waitlist issue. The inability of post-acute care providers to  
8 admit high-cost patients contributes to a long waitlist in acute  
9 care facilities, limiting the availability of other acute care  
10 services.

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



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

18           The legislature finds that these challenges in Maui county  
19 to health care delivery and coordination at multiple levels of  
20 care have risen to a crisis level. The resolution of the crisis  
21 requires coordinated efforts of private and public health care  
22 providers providing all levels of care. Without an aggressive



1 response to these challenges, the viability of community-based  
2 nonprofit entities providing health care in the community is  
3 jeopardized. This may create a downward spiral of deterioration  
4 that could exacerbate the existing crisis.

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

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



1 intent of the legislature to support the resolution of the  
2 current crisis in health care delivery and coordination in Maui.

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

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

20 The model of health care delivery to be implemented by this  
21 public-private partnership will address the crisis in the post-  
22 acute care environment and health care access and quality of



1 care at all levels, while maximizing capacity and increasing  
2 operational and financial viability of public and private  
3 providers.

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

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

16 (b) The public-private partnership shall:

17 (1) Work to resolve the crisis that currently exists in  
18 the post-acute care environment;

19 (2) Expand inpatient capacity;

20 (3) Improve access to and quality of health care; and

21 (4) Enhance operational and financial viability of public  
22 and private health providers at all levels of care.



1        (c) The public-private partnership shall be mutually  
2 beneficial to stakeholders and consumers and shall be based upon  
3 the following:

4        (1) Short term goals:

5            (A) Provide a mechanism to move waitlisted patients  
6            to an appropriate long-term care setting;

7            (B) Provide appropriate financial support to allow  
8            for the movement of patients along the continuum  
9            of care, regardless of the ability to pay;

10          (C) Maintain the financial viability of skilled  
11          nursing facilities by providing adequate funding  
12          from all sources; and

13          (D) Maintain the financial viability of full-service  
14          acute care facilities by reducing the number of  
15          waitlisted patients; and

16        (2) Long term goals:

17            (A) Improve the continuity of care and efficiency  
18            between providers;

19            (B) Enhance the quality of patient care;

20            (C) Create a patient-centered health care  
21            infrastructure;





- 1            (D) Maximize capacity and increase operational and
- 2            financial viability among network organizations;
- 3            (E) Optimize existing resources to maximize return;
- 4            (F) Facilitate the transition of care between
- 5            different levels of care;
- 6            (G) Reduce unnecessary transfers of patients and
- 7            attract medically appropriate transfers from
- 8            neighboring islands;
- 9            (H) Create reimbursement mechanisms that support
- 10           integrated efforts;
- 11           (I) Reduce unnecessary health care use and prevent
- 12           unnecessary hospitalizations and readmissions;
- 13           and
- 14           (J) Expand access to specialty services to counties
- 15           with populations of less than five hundred
- 16           thousand."

17           SECTION 3. Pursuant to the public-private partnership  
 18 established under section 323F- , Hawaii Revised Statutes, Hale  
 19 Makua Health Services may become a membership corporation with  
 20 the Hawaii health systems corporation as its sole member;  
 21 provided that:

- 1           (1) The rights and duties of the Hawaii health systems  
2           corporation as a member of the nonprofit corporation  
3           on Maui shall be delegated to the Maui regional system  
4           board of directors;
- 5           (2) The directors of Hale Makua Health Services shall be  
6           appointed by the Hawaii health systems corporation  
7           from a list of persons provided by the current Hale  
8           Makua Health Services board of directors;
- 9           (3) To the extent that statutes applicable to state  
10          agencies might be interpreted to pertain to the sole  
11          membership corporation permitted under this section,  
12          the sole membership corporation shall be exempt from  
13          chapter 102 and section 103-53, Hawaii Revised  
14          Statutes. The purchase of goods and services by or on  
15          behalf of the sole membership corporation shall be  
16          exempt from chapters 103D and 103F, Hawaii Revised  
17          Statutes. Employees of the sole membership  
18          corporation shall be exempt from chapters 76, 87A, 88,  
19          and 89, Hawaii Revised Statutes, and shall not be  
20          considered as employees of the State. None of the  
21          liabilities of the sole membership corporation



1 permitted under this section shall become liabilities  
2 of the corporation; and

3 (4) The partnership may be terminated upon not less than  
4 one hundred eighty days notice issued by either party  
5 to the presiding officers of the legislature if either  
6 party finds that there has been a significant change  
7 in services or a substantial change to the  
8 partnership.

9 SECTION 4. There is appropriated out of the general  
10 revenues of the State of Hawaii the sum of or so much  
11 thereof as may be necessary for fiscal year 2012-2013 to carry  
12 out the purposes of this Act, including the hiring of necessary  
13 staff.

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

16 SECTION 5. New statutory material is underscored.

17 SECTION 6. This Act shall take effect upon its approval;  
18 provided that section 4 shall take effect on July 1, 2050.



**Report Title:**

Health Care Coordination; Acute Care; Appropriation.

**Description:**

Establishes a public-private partnership in a county with a population between one hundred thousand and one hundred seventy thousand to implement an integrated model of health care delivery and to address the current crisis in acute care. Appropriates funds. Effective July 1, 2050. (SB2935 HD1)

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

