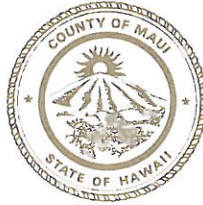


ALAN M. ARAKAWA  
MAYOR



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## OFFICE OF THE MAYOR

Ke'ena O Ka Meia

COUNTY OF MAUI – Kalana O Maui

TO: The Honorable David Ige, Chair  
Honorable Michelle Kidani, Vice-Chair  
Honorable Members of the Senate Committee on Ways and Means

FROM: Alan Arakawa, Mayor *aa*  
County of Maui

HEARING: Senate Committee on Ways & Means  
Wednesday, February 24, 2012  
9:00 a.m.  
Conference Room 211

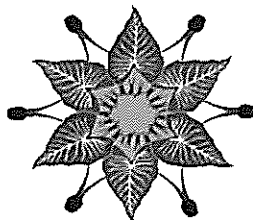
SUBJECT: **TESTIMONY OF MAUI COUNTY MAYOR ALAN ARAKAWA IN STRONG SUPPORT OF SB2935, RELATING TO HEALTH CARE COORDINATION**

Thank you for this opportunity to testify in **strong support** of **SB2935**, which proposes to establish a public-private partnership between Maui Memorial Medical Center and Hale Makua Health Services to research, facilitate, develop, and implement a model and system of collaborative health care delivery in Maui County.

My administration supports this measure for the following reasons:

1. We understand that Maui's population is rapidly growing, yet the island has limited health care infrastructure. The existing health care in Maui County is fragmented and comprised of independent providers with little coordination. This lack of coordinated care results in an inefficient delivery system across the continuum of care.
2. Post acute-care options on Maui are limited, making it challenging for families needing such care but have limited resources.
3. These challenges in Maui County relating to coordination and health care delivery at multiple levels of care have risen to near, or at, crisis levels. An immediate and bold response is necessary so that the current crisis is not exacerbated.
4. A poor payer mix makes it difficult for healthcare facilities to be financially viable. This proposed partnership would strengthen both, while providing access to much-needed health services for Maui County's people.

For these reasons, my administration and I **strongly support HB2935**.



**Maui Memorial**  
MEDICAL CENTER

February 23, 2012

**TO:** Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
SENATE COMMITTEE ON WAYS AND MEANS  
Friday, February 24, 2012, 9:00 a.m.  
Conference Room 211

**FROM:** Wesley Lo, Regional Chief Executive Officer  
(808) 442-5100

**RE: SB 2935, SD 1 RELATING TO HEALTH CARE COORDINATION**

Thank you for the opportunity to submit comments on **SB 2935 SD 1, RELATING TO HEALTH CARE COORDINATION**. The purpose of this bill is to establish a public-private partnership in a county with a population between 100,000 and 170,000 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. The proposed bill establishes Hale Makua Health Services (Hale Makua) as a membership corporation with the Hawaii health systems corporation as its sole member.

We would respectfully request that the Committee consider the following revisions to the proposed bill. A redline copy of the revisions is attached for your reference.

1. Revise Section 3 to clarify that this statute enables Hale Makua to become a membership corporation but does not require it.
2. Revise Section 3(2) to clarify that once Hale Makua becomes a membership corporation with the Hawaii Health Systems Corporation (HHSC) as its sole member, the board of directors of Hale Makua Health Services shall be appointed by HHSC from a slate recommended by Hale Makua.
3. Add a subsection (4) to Section 3 that provides for the termination of this partnership with not less than 180 days notice to the legislature if a significant change in services or a substantial change to the partnership occurs so that additional legislation is not needed to facilitate such a termination upon significant changes in circumstances.
4. Increase the appropriation in Section 4 from \$1,500,000 to \$1,850,000 to provide the partnership the means to conduct an in depth assessment/study/research designed to: analyze challenges in care coordination; develop a business plan for the delivery of healthcare network; develop an educational and outreach plan for Maui residents and providers; promote the development of an integrated health care delivery system within Maui County; to improve the continuum of care; and increasing the operational and financial viability of the network organizations.

Thank you for this opportunity to comments regarding this bill.

Attachment

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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:**

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

In assessing the situation, the legislature finds that Maui's population is growing rapidly, yet the island has limited health care infrastructure. The elderly population is also increasing rapidly, as many retirees are migrating to Maui from Oahu, other parts of the State, and the mainland. In fact, the elderly population on Maui is expected to double by 2035. Maui has also been more

affected by the recession than other parts of the State, and there has been a recent increase in the unemployment rate and corresponding decrease in average household income.

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

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

in post-acute facilities as well as reimbursements for the care of vulnerable populations.

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

Maui memorial medical center, the county's largest full-service acute care facility, maintains a high census of patients who are in the acute care setting while waiting for discharge to a post-acute setting. Over the past two years, twenty-five to forty "waitlist" patients occupied acute care beds every day because of a lack of viable discharge options. The waitlist of patients causes Maui memorial medical center to delay or divert acute care admissions, resulting in additional burdens for patients and other providers. Although there is another acute care hospital on Maui, the distance from central Maui and high

elevation of the facility limit the care that can be provided there.

Furthermore, the legislature finds that there is a shortage of long-term care and skilled nursing facility beds for special needs patients, which results in an extensive waitlist. Hale Makua Health Services, Maui's largest skilled nursing facility, experiences a negative margin for medicaid patients, who constitute approximately seventy to eighty per cent of the facility's payer mix.

Because of thin reimbursement margins and additional costs associated with intravenous therapy antibiotics, expensive medications, and one-on-one care for patients with behavioral challenges, Hale Makua Health Services is often unable to take Maui memorial medical center's waitlisted patients. The weakening payer mix and recent regulatory changes have resulted in over sixty empty beds in Hale Makua Health Services' two nursing homes. Hale Makua Health Services has had to consolidate and decertify thirty-four skilled nursing beds, and is seeking to change licensure to a care home, further reducing skilled nursing facility capacity.

The legislature therefore finds that these challenges in Maui county to health care delivery and coordination at multiple levels of care have risen to a crisis level. The

resolution of the crisis requires coordinated efforts of private and public health care providers providing all levels of care. Without an aggressive response to these challenges, the viability of community-based non-profit entities providing health care in the community is jeopardized. This may create a downward spiral of deterioration that could exacerbate the existing crisis.

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

The legislature finds that innovative partnerships have long been a means of addressing challenges arising from structural changes in the health care industry. To

realize effective partnerships to resolve a crisis of this magnitude requires support from the State of Hawaii. It is therefore the intent of the legislature to support the resolution of the current crisis in health care delivery and coordination in Maui.

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

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

The resulting model of health care delivery to be implemented by this public-private partnership will address



the crisis in the post acute care environment and health care access and quality of care at all levels, while maximizing capacity and increasing operational and financial viability of public and private providers.

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

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

(b) The public-private partnership shall:

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

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

(1) Short term goals:

- (A) Provide a mechanism to move waitlisted patients to an appropriate long-term care setting;
- (B) Provide appropriate financial support to allow for the movement of patients along the continuum of care, regardless of the ability to pay;
- (C) Maintain the financial viability of skilled nursing facilities by providing adequate funding from all sources; and
- (D) Maintain the financial viability of full-service acute care facilities by reducing the number of waitlisted patients.

(2) Long term goals:

- (A) Improve the continuity of care and efficiency between providers;
- (B) Enhance the quality of patient care;
- (C) Create a patient-centered health care infrastructure;

- (D) Maximize capacity and increase operational and financial viability among network organizations;
- (E) Optimize existing resources to maximize return;
- (F) Facilitate the transition of care between different levels of care;
- (G) Reduce unnecessary transfers of patients and attract medically appropriate transfers from neighboring islands;
- (H) Create reimbursement mechanisms that support integrated efforts;
- (I) Reduce unnecessary health care use and prevent unnecessary hospitalizations and readmissions; and
- (J) Expand access to specialty services to counties with populations of less than 500,000."

SECTION 3. Pursuant to the public-private partnership established under section 323F- , Hawaii Revised Statutes, Hale Makua Health Services shall be authorized to become a membership corporation with Hawaii health systems corporation as its sole member; provided that at such time as the membership corporation is established:

- (1) The rights and duties of the Hawaii health systems corporation shall be delegated to the Maui regional system board of directors;
- (2) The directors of Hale Makua Health Services shall be appointed by the Hawaii health systems corporation from a slate, recommended by the Hale Makua Health Services board of directors; and

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- (3) The sole membership corporation established under this section shall be exempt from collective bargaining under chapter 89, Hawaii Revised Statutes, and the procurement code under chapter 103D, Hawaii Revised Statutes.

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- (4) The public-private partnership between the Hawaii health systems corporation and Hale Makua Health Services may be terminated with not less than 180 days of notice to the legislature if a significant change in services or a substantial change to the partnership occurs.

SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$1,850,000 or so much thereof as may be necessary for fiscal year 2012-2013 to carry out the purposes of this Act, including the hiring of necessary staff.

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

SECTION 5. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval; provided that section 4 shall take effect on July 1, 2012.

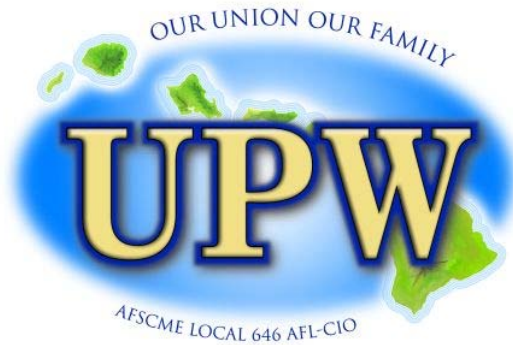
**Report Title:**

Health Care Coordination; Acute Care; Appropriation

**Description:**

Establishes a public-private partnership in a county with a population between 100,000 and 170,000 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. Establishes Hale Makua Health Services as a membership corporation with the Hawaii health systems corporation as its sole member. (SD1)

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



THE HAWAII STATE SENATE  
The Twenty-Sixth Legislature  
Regular Session of 2012

COMMITTEE ON WAYS AND MEANS  
The Honorable Sen. David Y. Ige, Chair  
The Honorable Sen. Michelle N. Kidani, Vice Chair

DATE OF HEARING: Friday, February 24, 2012  
TIME OF HEARING: 9:00 a.m.  
PLACE OF HEARING: Conference Room 211

**TESTIMONY ON SB 2935 SD1 RELATING TO HEALTH CARE  
COORDINATION**

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers,  
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

UPW supports SB 2935 that establishes a public-private partnership to research, facilitate, develop, and implement a model and system of collaborative health care delivery in a county with a population between 100,000 and 170,000 that moves patients, including acute care patients, throughout the continuum of care efficiently, appropriately, and cost effectively.

With our ever-growing need for acute care, this would be a viable way to continue long-term care and enhance the quality of patient care for Maui's elderly residents. This measure also provides an opportunity to keep people employed and keep our economy moving in the right direction.

Thank you for the opportunity to testify on this measure.