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GOVERNOR  
KE KIA'ĀINA



RYAN I. YAMANE  
DIRECTOR  
KA LUNA HO'ŌKELE

JOSEPH CAMPOS II  
DEPUTY DIRECTOR  
KA HOPE LUNA HO'ŌKELE

STATE OF HAWAII  
KA MOKU'ĀINA O HAWAI'I  
**DEPARTMENT OF HUMAN SERVICES**  
KA 'OIHANA MĀLAMA LAWELAWE KANAKA  
Office of the Director  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

TRISTA SPEER  
DEPUTY DIRECTOR  
KA HOPE LUNA HO'ŌKELE

February 20, 2025

TO: The Honorable Representative Kyle T. Yamashita, Chair  
House Committee on Finance

FROM: Ryan I. Yamane, Director

SUBJECT: **HB 1179 HD1– RELATING TO RURAL EMERGENCY HOSPITALS.**

Hearing: February 21, 2025, Time 2:00 p.m.  
Conference Room 308 & Videoconference, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of the measure and offers comments.

**PURPOSE:** Creates a framework for the licensure of rural emergency hospitals by the Department of Health. Provides for the continuation of Medicaid policy protections for hospitals transitioning to a rural emergency hospital designation. Effective 7/1/3000. (HD1)

The House Committee on Health amended the measure by:

- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

In its committee report, the House Committee on Health also requested that DHS seek federal guidance on the Rural Emergency Hospital designation in the Medicaid context.

The Committee on Consumer Protection and Commerce passed this measure unamended.

DHS appreciates the intent to have hospital health care resources re-aligned to best serve their communities, and the rural emergency hospital is a positive opportunity to do so.

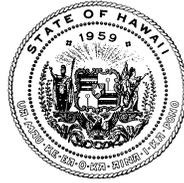
However, we provide comment on the proposed Medicaid reimbursement protections in Section 2 (3)(b), page 5, lines 6-14:

"For purposes of Medicaid reimbursement for services provided, any reference in Hawaii law or the Hawaii administrative rules to a critical access hospital, a hospital-based unit to a critical access hospital, or a sub-provider to a critical access hospital, shall be interpreted to also reference a rural emergency hospital, a hospital-based unit to a rural emergency hospital, or a sub-provider to a rural emergency hospital; provided that the rural emergency hospital was previously designated as a critical access hospital."

This section proposes considering a rural emergency hospital as the equivalent of a critical access hospital for reimbursement purposes. DHS notes that the federal Centers for Medicare and Medicaid Services has disagreed with this interpretation and disapproved of other states' Medicaid programs' payments to rural emergency hospitals as any type of hospital designation. In other words, the proposed state protections may be insufficient given the federal interpretation of the rural emergency hospital designation.

DHS Med-QUEST Division (MQD) will seek guidance from federal officials regarding the Medicaid reimbursement protections outlined in the bill and provide feedback to this committee and other interested parties. Of note, as of this writing, due to the new federal administration's communication freeze with anyone from the states or external to CMS, MQD has not been able to discuss this topic with CMS officials regarding their interpretation of Rural Emergency Hospital designation for Medicaid. Once the communication freeze has been lifted, MQD will reach out to the appropriate CMS officials.

Thank you for the opportunity to provide comments on this measure.



**STATE OF HAWAII**  
**DEPARTMENT OF HEALTH**  
P. O. Box 3378  
Honolulu, HI 96801-3378  
doh.testimony@doh.hawaii.gov

**Testimony in SUPPORT of HB1179 HD1**  
**RELATING TO RURAL EMERGENCY HOSPITALS.**

REP. KYLE T. YAMASHITA, CHAIR  
HOUSE COMMITTEE ON FINANCE

Hearing Date: February 21, 2025

Room Number: 308

- 1 **Department Testimony:** The Department of Health (DOH) supports HB1179 HD1.
- 2 The Department of Health currently has the ability to accept applications to convert from a
- 3 Critical Access Hospital (CAH) to a Rural Emergency Hospital (REH) without amendments to
- 4 Hawaii Revised Statutes. This is accomplished by submitting an 855a application to a private
- 5 Medicare Administrative Contractor (MAC), with a copy to DOH. DOH will work with the
- 6 MAC and the US Centers for Medicare and Medicaid Services to facilitate the enrollment
- 7 process. As a REH is a federally funded entity, CMS would provide guidance to DOH's Office
- 8 of Health Care Assurance (OHC) as to when to conduct a certification inspection. OHCA has
- 9 not received a REH application yet.
- 10 Despite having the authority under Medicare program rules and pursuant to Section 125 of the
- 11 Consolidated Appropriations Act of 2021, which added section 1861(kkk) to the Social Security
- 12 Act that set forth the statutory authority for REHs, DOH recommends amendments authorizing
- 13 explicit authority for purposes of accountability and transparency.
- 14 DOH is working on amendments to Hawaii Revised Statutes to effectuate the intent of this
- 15 measure, which will be proposed at the next subject-matter committee hearing.
- 16 Thank you for the opportunity to testify.



**February 21, 2025 at 2:00 pm**  
**Conference Room 308**

**House Committee on Finance**

To: Chair Kyle T. Yamashita  
Vice Chair Jenna Takenouchi

From: Paige Heckathorn Choy  
AVP, Government Affairs  
Healthcare Association of Hawaii

Re: **Support**  
**HB 1179 HD 1, Relating to Rural Emergency Hospitals**

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the health care continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high-quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 30,000 people statewide.

Thank you for the opportunity to testify in **support** of this measure, which seeks to establish a new licensure category in Hawaii for Rural Emergency Hospitals (REHs). Congress created this new provider type in 2021 to address the growing crisis of rural hospital closures nationwide. Since 2010, over 150 rural hospitals have closed, drastically reducing access to essential healthcare services for communities in need. The REH model was designed to provide a lifeline to these critical facilities by allowing existing Critical Access Hospitals and small rural hospitals to convert their operations to this new financial model, which seeks to support the continuation of emergency and outpatient services without the financial strain of maintaining inpatient care.

Creating an REH licensure category in Hawaii could help to ensure sustained access to emergency medical services, observation care, and outpatient treatment for residents in rural areas. Timely access to these services is vital for improving health outcomes, especially in geographically isolated areas. Additionally, the financial model of REHs offers more stability through enhanced Medicare reimbursement rates, including a five percent increase in payments for covered outpatient services and a fixed annual payment. This support addresses the economic challenges faced by rural hospitals, reducing the risk of closures and ensuring financial sustainability.

In Hawaii, the geographic isolation of our communities makes the implementation of this model even more pressing. Adopting the REH designation would enable rural hospitals to continue providing critical services, preventing closures and ensuring that residents in remote areas receive timely, life-saving care. Without such a measure, our rural healthcare infrastructure remains at risk, leaving many vulnerable populations without adequate medical support.

Establishing a licensure category for Rural Emergency Hospitals in Hawaii is a proactive and necessary step to protect and strengthen our healthcare system. It aligns with national efforts to address rural health disparities and ensures that Hawaii's rural communities have access to essential medical services. Thank you for the opportunity to provide testimony on this important matter.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Quality Healthcare For All"*

**COMMITTEE ON FINANCE**  
**Representative Kyle T. Yamashita, Chair**  
**Representative Jenna Takenouchi, Vice-Chair**

February 21, 2025  
2:00 pm  
Hawaii State Capitol  
Room 308 & Via Videoconference

**Testimony in Support of H.B. 714, H.D. 1**  
**RELATING TO HEALTHCARE WORKFORCE DEVELOPMENT**

Appropriates funds to support educational training programs to expand the State's health care workforce. Allocates funds to the Department of Education for health care certificate programs and classroom renovations for health care training in public high schools. Allocates funds to the University of Hawaii for education programs that support certified nurse assistants in becoming licensed practical nurses.

Edward N. Chu  
President & Chief Executive Officer  
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony **in support of H.B. 714, HD1, Relating to Health care Workforce Development.**

HHSC requires skilled, trained, dedicated professionals to care for patients in our unique island communities in a labor-intensive, demanding, and multi-disciplinary environment. However, due to Hawaii's substantial shortage in healthcare workforce, HHSC is supportive of all possible innovations to develop and secure staff for our rural healthcare facilities in the State of Hawaii.

To that end, HHSC has been working closely with the Healthcare Association of Hawaii in their efforts regarding the Healthcare Workforce Initiative. Our regions have benefited from their collaborative efforts in strengthening the relationships and training opportunities in both the Department of Education and the University of Hawaii. The funds that would be allocated through this measure are important to support as they will benefit all of our communities.

Thank you for the opportunity to provide testimony on this matter.



Community hospitals affiliated with KAISER PERMANENTE.

**February 20, 2025**

**Representative Kyle T. Yamashita, Chair**  
**Representative, Jenna Takenouchi, Vice Chair**  
**Members of the House Committee on Finance**

RE: H.B. 1179, HD 1 – Relating to Rural Emergency Hospitals  
Hearing Date – February 21, 2025, at 2:00 p.m.

Aloha Chair Yamashita, Vice Chair Takenouchi and Members of the Committee,

Thank you for allowing me the opportunity to submit testimony in **STRONG SUPPORT** of House Bill 1179, HD 1, which (i) provides a statutory framework for the licensure of rural emergency hospitals at the state level; and (ii) provides for the continuation of Medicaid policy protections for hospitals transitioning to a rural emergency hospital designation.

Pursuant to the Consolidated Appropriations Act of 2021 (Public Law 116, 260), Congress established a rural emergency hospital designation (REH), which creates a new type of Medicare provider to respond to nationwide increases in rural hospital closures. Through this designation, a hospital that is under financial pressure to eliminate high-cost services that their communities are not utilizing (including inpatient care) can refocus its resources on critical services that the rural population needs, including emergency department services, observation care and tailored outpatient medical and health services.

What does this mean for Hawaii? In many rural areas, patient demand is not keeping pace with the rising costs of staffing, equipment, and supplies needed to maintain an inpatient hospital. This designation is a Medicare reimbursement policy and allows REHs the opportunity to adapt to their community's needs while sustaining their budget. These hospitals will receive a fixed monthly payment equal to about \$3.2 million annually and a 5% higher Medicare payment for outpatient services like diagnostic. Also, patients do not pay additional fees or premiums for receiving services at an REH.

In Maui County, Lanai Hospital could benefit from this designation. Currently, Lanai Hospital is a Critical Access Hospital (CAH) that averages less than one patient per day in its acute inpatient care beds. Outside of inpatient care, the hospital provides emergency services along with thousands of days of nursing and skilled nursing care. To provide a more specific example, the average daily census in FY 2023 for emergency and skilled nursing needs was 10 and 965 residents, respectively. If Lanai Hospital surrenders its inpatient licensed beds, those beds will become available to expand long term care and skilled nursing bed availability, which is critically needed.

Before any of these benefits can be realized, however, the Hawaii legislature needs to enact legislation that would recognize the new REH designation and extend the Medicaid policy

protections that currently support the hospital and the services it provides on the island so that those protections would remain after a transition to REH status.

For the reasons outlined above, and with a strong commitment to ensuring quality healthcare for our rural communities, Maui Health System humbly asks for your support of this measure.

In kindness and appreciation,

A handwritten signature in black ink that reads "Lynn Fulton". The signature is written in a cursive, flowing style.

Lynn Fulton

Chief Executive Officer



Community hospitals affiliated with KAISER PERMANENTE.

**February 20, 2025**

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Lynn Fulton

Chief Executive Officer

**HB-1179-HD-1**

Submitted on: 2/20/2025 8:46:42 AM

Testimony for FIN on 2/21/2025 2:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

STRONG SUPPORT !!!

MAHALO!