

ACT 226

H.B. NO. 2534

A Bill for an Act Relating to Critical Access Hospitals.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that rural hospitals are essential for the health care of the State. All hospitals are hurt by reimbursement trends, but rural facilities are especially disadvantaged due to the low volume of patients and high expense of providing care in remote areas. In recognition of this fact, the federal government passed 42 U.S.C. 1395i-4, that established the medicare rural hospital flexibility program, a national program designed to assist states and rural communities in improving access to essential health care services through the establishment of limited service hospitals and rural health networks. The program creates the critical access hospital as a limited service hospital eligible for medicare certification and reimbursement, and supports the development of rural health networks consisting of critical access hospitals, acute general hospitals, and other health care providers.

The department of health has developed a Hawaii rural health plan to guide the implementation of the federal medicare rural hospital flexibility program. Medicaid reimbursements to critical access hospitals shall be calculated on a cost-basis using medicare reasonable cost principles, and shall not be applied in a manner that requires reduction in reimbursement to other long-term care providers.

To ensure federal reimbursement, the federal government must approve Hawaii's rural health plan, the medicaid payment methodology, and other modifications to the state medicaid plan.

The purpose of this Act is to enhance the federal medicare rural hospital flexibility program by reimbursing critical access hospitals on a cost basis under the medicaid program using matching federal funds.

SECTION 2. Section 346-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

““Critical access hospital” means a hospital located in the State that is included in Hawaii’s rural health plan approved by the federal Health Care Financing Administration and approved as a critical access hospital by the department of health as provided in Hawaii’s rural health plan and as defined in 42 U.S.C. Section 1395i-4.”

SECTION 3. Section 346D-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

““Critical access hospital” means a hospital located in the State that is included in Hawaii’s rural health plan approved by the federal Health Care Financing Administration and approved as a critical access hospital by the department of

health as provided in Hawaii's rural health plan and as defined in 42 U.S.C. Section 1395i-4."

SECTION 4. Section 346-59, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) The department shall adopt rules under chapter 91 concerning payment to providers of medical care. The department shall determine the rates of payment due to all providers of medical care, and pay such amounts in accordance with the requirements of the appropriations act and the Social Security Act, as amended. Payments to critical access hospitals for services rendered to medicaid beneficiaries shall be calculated on a cost basis using medicare reasonable cost principles."

SECTION 5. Section 346D-1.5, Hawaii Revised Statutes, is amended to read as follows:

"[[§346D-1.5[]] Medicaid reimbursement equity. Not later than June 30, 2003, there shall be no distinction between hospital-based and nonhospital-based reimbursement rates for institutionalized long-term care under medicaid. Reimbursement for institutionalized intermediate care facilities and institutionalized skilled nursing facilities shall be based solely on the level of care rather than the location. This section shall not apply to critical access hospitals."

SECTION 6. The State's share of matching funds shall be provided through the Hawaii health systems corporation and other designated critical access hospitals' appropriations to the extent funding is available. If funding is not available, medicaid reimbursement to critical access hospitals shall revert back to the existing medicaid payment methodology.

SECTION 7. There is appropriated the sum of \$2,857,000 in interdepartmental funds (U) and \$2,973,000 in federal funds (N) to the department of human services for the purposes of this Act.

SECTION 8. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2000, and shall be repealed on June 30, 2004; provided that sections 346-1, 346-59, 346D-1, and 346D-1.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2000.

(Approved June 14, 2000.)