
A BILL FOR AN ACT

RELATING TO HEALTH.

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

1 SECTION 1. Hawaii's health care system consists of a
2 myriad of services that must be coordinated and integrated to
3 ensure access to quality care at the appropriate level for all
4 of Hawaii's residents. A single user of health care often
5 accesses different providers that deliver different products and
6 services, and may transition from one level of care to another
7 over a period of time.

8 Acute care hospitals deliver care to the most seriously ill
9 patients. As such, the cost of acute hospital care is very high
10 due to high staffing costs, the high costs of technology that
11 permeate hospitals to pay for equipment and supplies, and the
12 high costs of medication, regulatory, and quality requirements.
13 Patients who receive care at hospitals and recover enough of
14 their health so that they no longer require hospitalization, but
15 are still in need of services, should be transferred out of the
16 hospital to a provider that can appropriately and safely care
17 for their needs. Such a transfer supports an improved quality

1 of life for the patient and sustains the integrity of the acute
2 care system by creating availability for others who may require
3 hospitalization. This balanced flow of patient movement matches
4 the appropriate provider to the needs of the patient. In doing
5 so, it better manages the financing of health care.

6 The determination of an appropriate level of care is based
7 on the patient's condition and input from a multi-disciplinary
8 care team. The provision of long-term care, either in a
9 facility or in a home- and community-based setting, is far less
10 costly than hospital care.

11 Unfortunately, due to unique and unusual circumstances,
12 Hawaii has a shortage of beds in nursing facilities relative to
13 its population. Most of Hawaii's long-term care facilities,
14 including skilled nursing facilities, assisted living
15 facilities, adult residential care homes, and foster family
16 homes, are full nearly all of the time. Placement in long-term
17 care is especially difficult when a patient has a medically
18 complex condition that demands resources that are not available
19 at many long-term care facilities in Hawaii. As a result, many
20 acute care hospital patients who are ready for long-term care
21 cannot be discharged and must wait in the acute care hospital
22 bed until appropriate space becomes available.

1 The shortage of long-term care beds is an undesirable
2 situation from three perspectives. First, the quality of life
3 of the patient obliged to remain in an acute care hospital is
4 diminished. Second, a patient in an acute care hospital who is
5 on a waitlist for long-term care occupies a bed that may be
6 needed by someone else with an acute illness or injury. Lastly,
7 hospital care is very expensive, so the waitlisted patient
8 contributes to higher costs in an acute care hospital.

9 Hawaii's medicaid program can be modified to facilitate the
10 flow of patients from acute care hospitals to long-term care
11 facilities. When a medicaid-eligible patient is treated by an
12 acute care hospital, medicaid pays a rate based upon the level
13 of care needed by the patient. When the patient is well enough
14 to be transferred to long-term care, the medicaid payment is
15 reduced to a rate that is twenty to thirty per cent of the
16 actual cost of acute care hospitalization. If the hospital is
17 not able to transfer the patient to long-term care, the hospital
18 must bear the financial burden of the reduced medicaid payments.
19 In addition, the inability to transfer a patient who is deemed
20 ready for discharge by a physician means that the patient on a
21 waitlist utilizes an acute care bed that may be needed by other,

1 more acutely ill patients. Thus, there is an opportunity cost
2 to the hospital and the patients.

3 At any particular time, a total of about two hundred
4 patients in Hawaii's hospitals are waiting to be transferred to
5 long-term care. Patients with certain conditions have been on a
6 waitlist for weeks, months, or even years. The total loss to
7 hospitals due to patients on a waitlist was estimated to be
8 \$73,000,000 in 2008.

9 A significant part of that loss is due to underpayment by
10 medicaid. The underpayment is unfair to acute care hospitals
11 because medicaid is, in effect, a public-private partnership.
12 The public sector provides the funding, and the private sector
13 provides the services. Unfortunately, in the majority of
14 situations, medicaid reimbursements seldom cover the actual cost
15 of the services provided. As a result of the underpayment,
16 acute care hospitals and long-term care facilities are weakened
17 financially, and the stability of Hawaii's entire health care
18 system is compromised.

19 In the past, acute care hospitals were able to absorb
20 medicaid losses since payments from commercial and other payers
21 helped to offset the under-funded costs of care for medicaid
22 patients. Over time, the cost of healthcare has increased at a

1 faster rate than increases in payments from all payers. In
2 addition, significant enhancements in medical technology over
3 the past several years have placed a greater expectation on
4 acute care hospitals to invest in medical equipment and
5 information technology. As a result, acute care hospitals are
6 no longer able to cover the underpaid cost of caring for
7 medicaid patients and adequately invest in medical technology.
8 The result is that many acute care hospitals are on the verge of
9 financial failure. For example, Kahuku hospital would have
10 ceased operations due to bankruptcy if it were not annexed by
11 the Hawaii health systems corporation, which is subsidized by
12 the State. One of the major reasons given for Kahuku hospital's
13 financial troubles was underpayment by medicaid.

14 In addition, medicaid payments for long-term care must be
15 addressed, with payments for individuals with medically complex
16 conditions, such as bariatric patients and severely obese
17 patients, needing immediate attention. These payments should be
18 cost-based since the current system of acuity-based
19 reimbursement does not effectively address these types of
20 patients.

21 The purpose of this Act is to provide fair compensation to
22 acute care hospitals for the service they provide to medicaid

1 patients who have been treated for acute illnesses and injuries
2 and who have recovered sufficiently so that they may be
3 transferred to long-term care, but for whom long-term care is
4 not available. In addition, this Act provides fair compensation
5 to long-term care facilities for patients in acute hospitals
6 with medically complex conditions when their level of care
7 changes from acute to long-term care.

8 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
9 amended by adding a new section to be appropriately designated
10 and to read as follows:

11 "§346- Medicaid reimbursements. (a) Medicaid
12 reimbursements to hospitals for patients occupying acute-
13 licensed beds who are on a waitlist for long-term care shall be
14 equal to the acute medical services payment rate.

15 (b) Medicaid reimbursements to facilities with long-term
16 care beds for patients with medically complex conditions who,
17 prior to admission to the facility were receiving acute care
18 services in an acute care hospital, shall be equal to the state
19 reimbursement rate for subacute care.

20 (c) As used in this section:

21 "Medically complex condition" means a combination of
22 chronic physical conditions, illnesses, or other medically

1 related factors that significantly impact an individual's health
2 and manner of living and cause reliance upon technological,
3 pharmacological, and other therapeutic interventions to sustain
4 life.

5 "Subacute care" means a level of care that is needed by a
6 patient not requiring acute care, but who needs more intensive
7 skilled nursing care than is provided to the majority of
8 patients in a skilled nursing facility."

9 SECTION 3. Section 346D-1.5, Hawaii Revised Statutes, is
10 amended to read as follows:

11 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
12 July 1, 2008, there shall be no distinction between hospital-
13 based and nonhospital-based reimbursement rates for
14 institutionalized long-term care under medicaid. Reimbursement
15 for institutionalized intermediate care facilities and
16 institutionalized skilled nursing facilities shall be based
17 solely on the level of care rather than the location. This
18 section shall not apply to critical access hospitals[~~]~~ or to
19 reimbursements made in accordance with section 346- ."

20 SECTION 4. There is appropriated out of the general
21 revenues of the State of Hawaii the sum of \$ or so much

1 thereof as may be necessary for fiscal year 2009-2010 for
2 increased medicaid reimbursement in accordance with this Act.

3 The sum appropriated shall be expended by the department of
4 human services for the purposes of this Act.

5 SECTION 5. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 6. This Act shall take effect on July 1, 2050.

Report Title:

Medicaid; Long-Term Care Reimbursements; Appropriation

Description:

Establishes reimbursement guidelines for medicaid to hospitals and facilities with long-term care beds. Makes appropriation. (SD1)