



GOV. MSG. NO. 1382

EXECUTIVE CHAMBERS  
HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

July 06, 2012

The Honorable Shan Tsutsui, President  
and Members of the Senate  
Twenty-Sixth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Calvin Say, Speaker  
and Members of the House  
Twenty-Sixth State Legislature  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Tsutsui, Speaker Say and Members of the Legislature:

This is to inform you that on July 06, 2012, the following bill was signed into law:

HB2664 HD1 SD1 CD1

RELATING TO HEALTH CARE COORDINATION.  
**Act 279 (12)**

Sincerely,  


NEIL ABERCROMBIE  
Governor, State of Hawaii

on JUL 6 2012

HOUSE OF REPRESENTATIVES  
TWENTY-SIXTH LEGISLATURE, 2012  
STATE OF HAWAIIH.B. NO. 2664  
H.D. 1  
S.D. 1  
C.D. 1

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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 level of efficiency in a  
9 financially sustainable way.

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



1 State, and there has been a recent increase in the unemployment  
2 rate and corresponding decrease in average 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 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 receive end-of-life care in the hospital  
6        rather than in a home-setting, which impacts costs and further  
7        exacerbates the waitlist issue. The inability of post-acute  
8        care providers to accept high cost patient admissions  
9        contributes to a high waitlist in acute care facilities,  
10       limiting availability of other acute care 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 travel distance from central Maui and



1 high elevation location of the facility limit access to the care  
2 that can be provided there.

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

20 The legislature therefore finds that these challenges in  
21 Maui county to health care delivery and coordination at multiple



1 levels of care have risen to a crisis level. The resolution of  
2 the crisis requires coordinated efforts of private and public  
3 health care providers, providing care at all levels of care.  
4 Without an aggressive response to these challenges, the  
5 viability of community-based nonprofit entities providing health  
6 care in the community is jeopardized. This will create a  
7 downward spiral of deterioration that could exacerbate the  
8 existing crisis.

9 In response, Maui Memorial Medical Center and Hale Makua  
10 Health Services have been evaluating a number of organizational  
11 alternatives to facilitate long-term stability in the health  
12 care delivery system in a cost-effective way and have opened  
13 discussions to identify opportunities for collaboration. One of  
14 the goals is to achieve operational synergies and cost  
15 efficiency that will address the crisis and benefit both  
16 organizations, which will in turn benefit residents of the  
17 county of Maui. Options for collaboration may include  
18 organizational realignment and affiliation strategies. Both  
19 organizations are also working diligently to develop a  
20 partnership plan to provide sustainable, effective, well-



1 coordinated, quality health care at all levels in certain parts  
2 of the State.

3 The legislature finds that innovative partnerships have  
4 long been a means of addressing challenges arising from  
5 structural changes in the health care industry. To realize  
6 effective partnerships to resolve a crisis of this magnitude  
7 requires support from the State of Hawaii. It is therefore the  
8 intent of the legislature to support the resolution of the  
9 current crisis in health care delivery and coordination in Maui.

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

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



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

4 The purpose of this Act is to establish a public-private  
5 partnership to research, facilitate, develop, and implement a  
6 model and system of collaborative health care delivery in a  
7 county that encompasses at least three islands inhabited by  
8 permanent residents that moves patients, including acute care  
9 patients, throughout the continuum of care efficiently,  
10 appropriately, and cost-effectively.

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

14 "§323F- Public-private partnership. (a) There is  
15 established within the corporation for administrative purposes  
16 only a public-private partnership in a county that encompasses  
17 at least three islands inhabited by permanent residents, to  
18 research, develop, and implement a model of health care delivery  
19 that addresses the coordination of care across the spectrum of  
20 care from acute, to skilled nursing facility, to home, in a





1 manner that is seamless, efficient, appropriate, and cost-  
2 effective.

3 (b) The public-private partnership shall:

4 (1) Work to resolve the challenges in the post-acute care  
5 environment;

6 (2) Expand inpatient capacity;

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

8 (4) Enhance the operational and financial viability of  
9 public and private health care providers at all levels  
10 of care.

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

14 (1) Short-term goals:

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

17 (B) Provide appropriate financial support to allow  
18 for the movement of patients along the continuum  
19 of care, regardless of the ability to pay;



1           (C) Maintain the financial viability of skilled  
2           nursing facilities by providing adequate funding  
3           from all sources; and

4           (D) Maintain the financial viability of full-service  
5           acute care facilities by reducing the number of  
6           waitlisted patients.

7           (2) Long-term goals:

8           (A) Improve the continuity of care and efficiency  
9           between providers;

10          (B) Enhance the quality of patient care;

11          (C) Create a patient-centered health care  
12          infrastructure;

13          (D) Maximize capacity and increase operational and  
14          financial viability among network organizations;

15          (E) Optimize existing resources to maximize return;

16          (F) Facilitate the transition of care between  
17          different levels of care;

18          (G) Reduce unnecessary transfers of patients and  
19          attract medically appropriate transfers from  
20          neighboring islands;



1           (H) Create reimbursement mechanisms that support  
2                           integrated efforts;

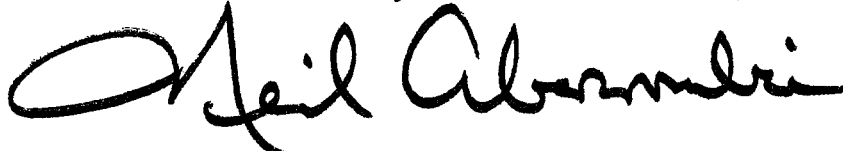
3           (I) Reduce unnecessary health care use and prevent  
4                           unnecessary hospitalizations and readmissions;  
5                           and

6           (J) Expand access to specialty services to counties  
7                           that encompass at least three islands inhabited  
8                           by permanent residents."

9           SECTION 3. New statutory material is underscored.

10          SECTION 4. This Act shall take effect on July 1, 2012.

APPROVED this 6 day of JUL , 2012



GOVERNOR OF THE STATE OF HAWAII

