
A BILL FOR AN ACT

RELATING TO RURAL EMERGENCY HOSPITALS.

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

1 SECTION 1. The legislature finds that the federal
2 government has recently authorized the creation of rural
3 emergency hospitals, a new type of medicare provider meant to
4 help address the concerning increase in rural hospital closures
5 nationwide. Rural emergency hospitals provide rural communities
6 with emergency department services, observation care, and
7 tailored outpatient medical and health services, including
8 laboratory and imaging services. By adopting the rural
9 emergency hospital designation, a hospital can focus on these
10 important services while eliminating certain high-cost services
11 that the community is not utilizing, such as inpatient care.
12 This focus allows the hospital to allocate its limited resources
13 to better address needs of the community the hospital serves.

14 The legislature further finds that the creation of the
15 rural emergency hospital designation may be beneficial to the
16 financial health of certain hospitals and the communities they
17 serve. By adopting a rural emergency hospital designation, a



1 hospital can take advantage of medicare reimbursement policies
2 that allow the hospital to adapt to community needs while
3 sustaining budget requirements. Specifically, rural emergency
4 hospitals receive a fixed monthly payment equal to about
5 \$3,200,000 annually. In addition, medicare payments for
6 outpatient services such as diagnostic services are five per
7 cent higher for rural emergency hospitals. Significantly,
8 patients do not pay additional fees or premiums for receiving
9 services at a rural emergency hospital. States can also
10 determine their own ways to support rural emergency hospitals
11 through medicaid and commercial reimbursement policies.

12 The legislature also finds that although the cessation of
13 inpatient services may seem like a loss for a community, for
14 many rural hospitals, such as Lanai community hospital, the
15 volume of inpatient care is extremely low. For example, Lanai
16 is a critical access hospital that averages less than one
17 patient per day in its acute inpatient care beds. This low
18 volume illustrates that people are seeking inpatient care at
19 other locations. Despite this low volume, hospitals that
20 maintain inpatient care services must still pay the increasingly



1 high costs of staffing, equipment, and supplies needed to
2 maintain inpatient care.

3 Besides inpatient care, Lanai community hospital currently
4 provides emergency services along with thousands of days of
5 nursing and skilled nursing care. Importantly, if Lanai
6 community hospital becomes a rural emergency hospital, it would
7 be able to surrender its inpatient licensed beds and allow the
8 hospital to expand its availability of long-term care and
9 skilled nursing beds, which are sorely needed by the community.
10 The legislature notes that each rural emergency hospital is
11 responsible for meeting higher-level patient care needs by
12 having transfer agreements with local trauma centers.

13 The legislature finds that the federal government designed
14 the rural emergency hospital program for hospitals like Lanai
15 community hospital, to allow those hospitals to best meet the
16 health care needs of its communities by emphasizing emergency
17 services, long-term care, and skilled nursing.

18 The legislature also finds that hospitals must first be
19 recognized as a rural emergency hospital at the state level
20 before they can pursue the new rural emergency hospital
21 designation with the federal Centers for Medicare and Medicaid



1 Services. A state can address licensure through the enactment
2 of legislation, which should also ensure that the medicaid
3 policy protections that currently support hospitals and the
4 services the hospitals provide will continue after those
5 facilities attain a rural emergency hospital designation.

6 Accordingly, the purpose of this Act is to:

7 (1) Provide a statutory framework for the licensure of
8 rural emergency hospitals at the state level; and

9 (2) Provide for the continuation of medicaid policy
10 protections for hospitals transitioning to a rural
11 emergency hospital designation.

12 SECTION 2. Chapter 321, Hawaii Revised Statutes, is
13 amended by adding a new section to part I to be appropriately
14 designated and to read as follows:

15 "§321- Rural emergency hospitals; licensing. (a) The
16 department of health may license a hospital as a rural emergency
17 hospital if the hospital:

18 (1) Elects to receive the medicare designation as a rural
19 emergency hospital;



1 (2) Provides emergency treatment and stabilization
2 services for an average length of stay of twenty-four
3 hours or less;

4 (3) Meets the requirements of title 42 United States Code
5 section 1395x(kkk) (2); and

6 (4) Passes inspection and receives a recommendation from
7 the department to the federal Centers for Medicare and
8 Medicaid Services to operate as a rural emergency
9 hospital.

10 (b) For the purposes of this section, "rural emergency
11 hospital" means a hospital licensed under this section that was
12 previously designated and operating as a critical access
13 hospital as of December 27, 2020."

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

17 "Rural emergency hospital" has the same meaning as defined
18 in section 321- ."

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



1 "(a) The department shall adopt rules under chapter 91
2 concerning payment to providers of medical care. The department
3 shall determine the rates of payment due to all providers of
4 medical care, and pay [~~such~~] those amounts in accordance with
5 the requirements of the appropriations act and the Social
6 Security Act, as amended. Payments to critical access hospitals
7 and rural emergency hospitals for services rendered to medicaid
8 beneficiaries shall be calculated on a cost basis using medicare
9 reasonable cost principles."

10 SECTION 5. Section 346-59.1, Hawaii Revised Statutes, is
11 amended by amending subsection (g) to read as follows:

12 "(g) For the purposes of this section:

13 "Distant site" means the location of the health care
14 provider delivering services through telehealth at the time the
15 services are provided.

16 "Health care provider" means a provider of services, as
17 defined in title 42 United States Code section 1395x(u), a
18 provider of medical and other health services, as defined in
19 title 42 United States Code section 1395x(s), other
20 practitioners licensed by the State and working within their
21 scope of practice, and any other person or organization who



1 furnishes, bills, or is paid for health care in the normal
2 course of business, including but not limited to primary care
3 providers, mental health providers, oral health providers,
4 physicians and osteopathic physicians licensed under chapter
5 453, advanced practice registered nurses licensed under
6 chapter 457, psychologists licensed under chapter 465, and
7 dentists licensed under chapter 448.

8 "Interactive telecommunications system" has the same
9 meaning as the term is defined in title 42 Code of Federal
10 Regulations section 410.78(a).

11 "Originating site" means the location where the patient is
12 located, whether accompanied or not by a health care provider,
13 at the time services are provided by a health care provider
14 through telehealth, including but not limited to a health care
15 provider's office, hospital, critical access hospital, rural
16 emergency hospital, rural health clinic, federally qualified
17 health center, a patient's home, and other nonmedical
18 environments such as school-based health centers,
19 university-based health centers, or the work location of a
20 patient.



1 "Telehealth" means the use of telecommunications services,
2 as defined in section 269-1, to encompass four modalities:
3 store and forward technologies, remote monitoring, live
4 consultation, and mobile health; and which shall include but not
5 be limited to real-time video conferencing-based communication,
6 secure interactive and non-interactive web-based communication,
7 and secure asynchronous information exchange, to transmit
8 patient medical information, including diagnostic-quality
9 digital images and laboratory results for medical interpretation
10 and diagnosis, for the purpose of delivering enhanced health
11 care services and information while a patient is at an
12 originating site and the health care provider is at a distant
13 site. Except as provided through an interactive
14 telecommunications system, standard telephone contacts,
15 facsimile transmissions, or e-mail text, in combination or
16 alone, do not constitute telehealth services."

17 SECTION 6. Section 346D-1, Hawaii Revised Statutes, is
18 amended by adding a new definition to be appropriately inserted
19 and to read as follows:



1 ""Rural emergency hospital" means a rural emergency
2 hospital licensed under section 321- that was previously
3 designated as a critical access hospital."

4 SECTION 7. Section 346D-1.5, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"§346D-1.5 Medicaid reimbursement equity.** Not later than
7 July 1, 2008, there shall be no distinction between
8 hospital-based and nonhospital-based reimbursement rates for
9 institutionalized long-term care under medicaid. Reimbursement
10 for institutionalized intermediate care facilities and
11 institutionalized skilled nursing facilities shall be based
12 solely on the level of care rather than the location. This
13 section shall not apply to critical access hospitals.
14 Reimbursement rates for facilities that convert from a critical
15 access hospital to another facility type after April 1, 2025,
16 may maintain a distinction after the facility's conversion."

17 SECTION 8. Section 671-7, Hawaii Revised Statutes, is
18 amended by amending subsection (c) to read as follows:

19 "(c) For the purposes of this section:



1 "Distant site" means the location of the health care
2 provider delivering services through telehealth at the time the
3 services are provided.

4 "Originating site" means the location where the patient is
5 located, whether accompanied or not by a health care provider,
6 at the time services are provided by a health care provider
7 through telehealth, including but not limited to a health care
8 provider's office, hospital, critical access hospital, rural
9 emergency hospital, rural health clinic, federally qualified
10 health center, a patient's home, and other non-medical
11 environments such as school-based health centers,
12 university-based health centers, or the work location of a
13 patient.

14 "Telehealth" means the use of telecommunications services,
15 as defined in section 269-1, to encompass four modalities:
16 store and forward technologies, remote monitoring, live
17 consultation, and mobile health; and which shall include but not
18 be limited to real-time video conferencing-based communication,
19 secure interactive and non-interactive web-based communication,
20 and secure asynchronous information exchange, to transmit
21 patient medical information, including diagnostic-quality



1 digital images and laboratory results for medical interpretation
2 and diagnosis, for the purpose of delivering enhanced health
3 care services and information while a patient is at an
4 originating site and the health care provider is at a distant
5 site. Standard telephone contacts, facsimile transmissions, or
6 e-mail text, in combination or by itself, does not constitute a
7 telehealth service for the purposes of this section."

8 SECTION 9. Act 226, Session Laws of Hawaii 2000, is
9 amended by amending section 6 to read as follows:

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

17 SECTION 10. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 11. This Act shall take effect on December 31,
20 2050; provided that the amendments made to section 346-59.1,
21 Hawaii Revised Statutes, by section 5 of this Act shall not be



- 1 repealed when that section is reenacted on December 31, 2025,
- 2 pursuant to section 8 of Act 107, Session Laws of Hawaii 2023.



Report Title:

DOH; Rural Emergency Hospitals; Licensure; Medicaid

Description:

Creates a framework for the licensure of rural emergency hospitals at the state level by the Department of Health. Provides for the continuation of Medicaid policy protections for hospitals transitioning to a rural emergency hospital designation. Effective 12/31/2050. (SD2)

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

