

JAN 17 2025

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# A BILL FOR AN ACT

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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 hospital, the volume of  
15 inpatient care is extremely low. For example, Lanai is a  
16 critical access hospital that averages less than one patient per  
17 day in its acute inpatient care beds. This low volume  
18 illustrates that people are seeking inpatient care at other  
19 locations. Despite this low volume, hospitals that maintain  
20 inpatient care services must still pay the increasingly high



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

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

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

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



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

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

6        (b) For purposes of medicaid reimbursement for services  
7 provided, any reference in Hawaii law or the Hawaii  
8 administrative rules to a critical access hospital, a  
9 hospital-based unit to a critical access hospital, or a  
10 sub-provider to a critical access hospital, shall be interpreted  
11 to also reference a rural emergency hospital, a hospital-based  
12 unit to a rural emergency hospital, or a sub-provider to a rural  
13 emergency hospital; provided that the rural emergency hospital  
14 was previously designated as a critical access hospital.

15        (c) No later than one hundred eighty days after the  
16 effective date of this section, the department of health shall  
17 adopt rules pursuant to chapter 91 necessary to implement this  
18 section; provided that the rules shall not conflict with, be  
19 more restrictive than, or prevent the application of,  
20 regulations promulgated by the United States Secretary of Health



1 and Human Services under title 42 Code of Federal Regulations  
2 part 485."

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

6 "Rural emergency hospital" means a rural emergency  
7 hospital licensed under section 321- that was previously  
8 designated as a critical access hospital."

9 SECTION 4. Section 346D-1, Hawaii Revised Statutes, is  
10 amended by adding a new definition to be appropriately inserted  
11 and to read as follows:

12 "Rural emergency hospital" means a rural emergency  
13 hospital licensed under section 321- that was previously  
14 designated as a critical access hospital."

15 SECTION 5. Section 346-59, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17 "(a) The department shall adopt rules under chapter 91  
18 concerning payment to providers of medical care. The department  
19 shall determine the rates of payment due to all providers of  
20 medical care, and pay ~~such~~ those amounts in accordance with  
21 the requirements of the appropriations act and the Social



1 Security Act, as amended. Payments to critical access hospitals  
2 and rural emergency hospitals for services rendered to medicaid  
3 beneficiaries shall be calculated on a cost basis using medicare  
4 reasonable cost principles."

5 SECTION 6. Section 346-59.1, Hawaii Revised Statutes, is  
6 amended by amending subsection (g) to read as follows:

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

8 "Distant site" means the location of the health care  
9 provider delivering services through telehealth at the time the  
10 services are provided.

11 "Health care provider" means a provider of services, as  
12 defined in title 42 United States Code section 1395x(u), a  
13 provider of medical and other health services, as defined in  
14 title 42 United States Code section 1395x(s), other  
15 practitioners licensed by the State and working within their  
16 scope of practice, and any other person or organization who  
17 furnishes, bills, or is paid for health care in the normal  
18 course of business, including but not limited to primary care  
19 providers, mental health providers, oral health providers,  
20 physicians and osteopathic physicians licensed under chapter  
21 453, advanced practice registered nurses licensed under



1 chapter 457, psychologists licensed under chapter 465, and  
2 dentists licensed under chapter 448.

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

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

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





1 and secure asynchronous information exchange, to transmit  
2 patient medical information, including diagnostic-quality  
3 digital images and laboratory results for medical interpretation  
4 and diagnosis, for the purpose of delivering enhanced health  
5 care services and information while a patient is at an  
6 originating site and the health care provider is at a distant  
7 site. Except as provided through an interactive  
8 telecommunications system, standard telephone contacts,  
9 facsimile transmissions, or e-mail text, in combination or  
10 alone, do not constitute telehealth services."

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

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



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

"(c) For purposes of this section:

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

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

"Telehealth" means the use of telecommunications services, as defined in section 269-1, to encompass four modalities: store and forward technologies, remote monitoring, live consultation, and mobile health; and which shall include but not be limited to real-time video conferencing-based communication,



1 secure interactive and non-interactive web-based communication,  
2 and secure asynchronous information exchange, to transmit  
3 patient medical information, including diagnostic-quality  
4 digital images and laboratory results for medical interpretation  
5 and diagnosis, for the purpose of delivering enhanced health  
6 care services and information while a patient is at an  
7 originating site and the health care provider is at a distant  
8 site. Standard telephone contacts, facsimile transmissions, or  
9 e-mail text, in combination or by itself, does not constitute a  
10 telehealth service for the purposes of this section."

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

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

20 SECTION 10. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

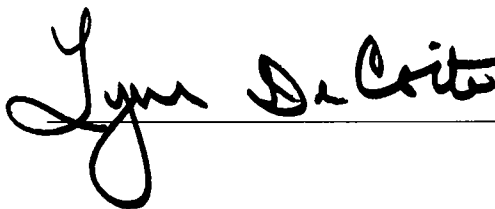


# S.B. NO. 556

1       SECTION 11. This Act shall take effect upon its approval;  
2 provided that the amendments made to section 346-59.1, Hawaii  
3 Revised Statutes, by section 6 of this Act shall not be repealed  
4 when that section is reenacted on December 31, 2025, pursuant to  
5 section 8 of Act 107, Session Laws of Hawaii 2023.

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INTRODUCED BY

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# S.B. NO. 556

**Report Title:**

DOH; Rural Emergency Hospitals; Licensure; Medicaid

**Description:**

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.

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

