

ACT 211

H.B. NO. 2917

A Bill for an Act Relating to Elderly Care.

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

SECTION 1. The legislature finds that the chronically ill and disabled elderly are often in need of a variety of long-term care services including medical, rehabilitation therapy, psycho-social, transportation, personal care, meal, and grooming services. Although agencies and organizations exist in the community that provide one or a few of these services, these agencies and organizations do not offer all of these services.

As a consequence, frail elderly and their families are oftentimes caught in a labyrinth of application forms, endless phone calls, and inquiries to obtain appropriate services that can meet the different health and social needs of a frail elderly. Dealing with multiple agencies and deciphering costs and eligibility requirements are formidable tasks which add to family stress and frustration.

The outcome of this fragmented long-term care system with its limited scope of services is that the frail individual usually must make do with what can be obtained in the community or be prematurely placed in an institution such as a nursing home. This is not only costly to the State as well as families, but it is also undesirable. Instead of placing their elderly in a nursing home, most families prefer to have their loved ones live out their remaining years at home with dignity and with as much independence as possible. Moreover, nursing home placements are expensive due to the high costs of constructing and operating such facilities.

The legislature finds that it is in the State's interest to support the efforts of families who provide home care to family members with chronic illnesses and disabilities.

Faced with a rapidly growing elderly population in Hawaii, an acute shortage of nursing home beds, and the rising cost of long-term care, the 1991 legislature recognized the need for an alternative community-based program that is comprehensive, prevents institutionalization, and contains long-term care costs.

Specifically, the legislature appropriated over \$2 million for a demonstration project at Maluhia Hospital known as the program for all-inclusive care for the elderly (PACE).

PACE is part of a national replication project authorized under the federal Omnibus Reconciliation Act of 1986, as amended, which instructs the secretary of the Department of Health and Human Services to grant Medicare and Medicaid waivers to permit not more than fifteen public or nonprofit private organizations in the nation to provide comprehensive health care services on a capitated basis to frail elderly who are at risk of institutionalization. These Medicare and Medicaid waivers allow PACE to receive a per-person payment each month from Medicare and Medicaid without restrictions on service delivery and fee-for-service limitation. As a result, PACE has the authority and flexibility to consolidate these funds and provide any services ranging from adult day health center to acute hospitalization.

The concept of PACE began in 1973, when On Lok senior health services of San Francisco, California opened one of the nation's first adult day health centers. By 1979, On Lok was providing the comprehensive services which distinguish PACE, and by 1983, full risk and fixed monthly capitation payments were included from Medicare, Medicaid, and private funds.

The legislature finds that PACE provides a complete package of services that enhances the quality of life for the elderly participant and offers the potential to reduce and cap the costs of the medical needs of the participants.

The legislature further finds that PACE costs less than what Medicare, Medicaid, and private individuals currently pay for long-term care. Operating within a cost-effective, capitated risk based financing system, PACE charges a fixed monthly payment per person for a complete package of health and social support services. This capitated financing requires PACE to assume full financial responsibility for a client's total long-term care and for cost overruns. PACE's success depends on aggressive community-based preventive care which maintains the elderly's health and avoids high cost institutional care.

The legislature further finds that PACE is a cost-effective alternative program that addresses the problems of fragmented and costly long-term care by meeting the needs of Hawaii's families who are struggling to maintain their frail elderly in their own homes and avoid institutionalization. Through the demonstration of PACE at Maluhia Hospital, the viability of a cost-effective statewide program offering quality community-based long-term care programs can be evaluated.

The purpose of this Act is to establish the PACE demonstration project in the department of health's Maluhia long-term care health center.

SECTION 2. For the purposes of this Act:

"Eligible person" means a frail elderly individual who voluntarily enrolls in the PACE demonstration project.

"Frail elderly" means an individual who meets functional eligibility requirements as established by Medicare and Medicaid for nursing home care and who is fifty-five years of age or older.

SECTION 3. A program of all-inclusive care for the elderly (PACE) demonstration project is established in the department of health to provide comprehensive and cost effective long-term care to Hawaii's frail elderly population who are at risk of institutionalization. The goals of the PACE demonstration project shall be to:

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- (1) Maintain eligible persons at home as an alternative to long-term institutionalization;
- (2) Provide optimum accessibility to various important social and health resources that are available to assist eligible persons in maintaining independent living;
- (3) Coordinate, integrate, and link such social and health services by removing obstacles which impede or limit improvements in delivery of these services; and
- (4) Provide the most efficient and effective use of capitated funds in the delivery of such social and health services.

SECTION 4. The director of health shall report to the legislature at least twenty days prior to the convening of each regular session during the period of the demonstration project. The annual report shall include a comprehensive report on the status of the project, and recommendations for amendments to the law and to the rules of the department pertaining to the project.

SECTION 5. The department of health may adopt rules in accordance with chapter 91, Hawaii Revised Statutes, for the purposes of this Act.

SECTION 6. Personnel employed for the PACE demonstration project shall not be subject to chapters 76 and 77, Hawaii Revised Statutes.

SECTION 7. The department of human services shall support the PACE demonstration project by:

- (1) Cooperating with the department of health in obtaining the necessary federal waivers to develop the PACE demonstration project;
- (2) Applying in a joint application with the organization providing the PACE demonstration project for the Medicare and Medicaid waivers; and
- (3) Providing a system for reimbursement for services to the PACE demonstration project.

SECTION 8. This Act shall take effect on July 1, 1992, and shall be repealed on June 30, 1997.

(Approved June 12, 1992.)