ACT 279 H.B. NO. 2664

A Bill for an Act Relating to Health Care Coordination.

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

SECTION 1. The legislature finds that health care providers in the county of Maui, including Maui Memorial Medical Center and Hale Makua Health Services, have been highly successful in serving the residents of the county for generations. However, recent changes in government policies and rules or regulations, changing demographics, and a changing marketplace have made it extremely difficult for health care providers in the county to maintain a level of efficiency in a financially sustainable way.

In assessing the situation, the legislature finds that Maui's population is growing rapidly, yet the island has limited health care infrastructure. The population is also aging rapidly, as many retirees are migrating to Maui from Oahu, other parts of the State, and the mainland. In fact, the elderly population on Maui is expected to double by 2035. Maui has also been more affected by the recession than other parts of the State, and there has been a recent increase in the unemployment rate and corresponding decrease in average household income.

Given its unique topography and patterns of population density, access to health care is one of the most challenging issues in Maui county, and is exac-

erbated by the county's rural population and shortage of health care providers. Health care provision in Maui county is fragmented and is comprised of independent providers that deliver care on an episodic basis. This lack of coordinated care results in an inefficient delivery system across the continuum of care.

The legislature further finds that post-acute care options in Maui are limited as a result of the poor overall payer mix, in addition to the challenges of caring for patients with special needs. The overall payer mix is disproportionately weighted toward medicaid, which creates a financial burden for Maui's limited sub-acute providers and often results in the delay or refusal of transfers of low- or no-pay patients. The State of Hawaii's recent decision to privatize the medicaid program for the aged, blind, and disabled has also adversely affected the census in post-acute facilities as well as reimbursements for care of vulnerable populations.

In addition, there is inadequate physician coverage to admit and discharge patients from post-acute care facilities, and an underutilization of home health agency options. Hawaii's diverse cultural preferences contribute to a higher percentage of patients choosing to receive end-of-life care in the hospital rather than in a home-setting, which impacts costs and further exacerbates the waitlist issue. The inability of post-acute care providers to accept high cost patient admissions contributes to a high waitlist in acute care facilities, limiting availability of other acute care services.

Maui Memorial Medical Center, the county's largest full-service acute care facility, maintains a high census of patients who are in the acute care setting while waiting for discharge to a post-acute setting. Over the past two years, twenty-five to forty waitlist patients occupied acute care beds every day because of a lack of viable discharge options. The waitlist of patients causes Maui Memorial Medical Center to delay or divert acute care admissions, resulting in additional burdens for patients and other providers. Although there is another acute care hospital on Maui, the travel distance from central Maui and high elevation location of the facility limit access to the care that can be provided there.

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

The legislature therefore finds that these challenges in Maui county to health care delivery and coordination at multiple levels of care have risen to a crisis level. The resolution of the crisis requires coordinated efforts of private and public health care providers, providing care at all levels of care. Without an aggressive response to these challenges, the viability of community-based nonprofit entities providing health care in the community is jeopardized. This will create a downward spiral of deterioration that could exacerbate the existing crisis.

In response, Maui Memorial Medical Center and Hale Makua Health Services have been evaluating a number of organizational alternatives to facilitate

long-term stability in the health care delivery system in a cost-effective way and have opened discussions to identify opportunities for collaboration. One of the goals is to achieve operational synergies and cost efficiency that will address the crisis and benefit both organizations, which will in turn benefit residents of the county of Maui. Options for collaboration may include organizational realignment and affiliation strategies. Both organizations are also working diligently to develop a partnership plan to provide sustainable, effective, well-coordinated, quality health care at all levels in certain parts of the State.

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

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

The resulting model of health care delivery to be implemented by this public-private partnership will address the crisis in the post-acute care environment and health care access and quality of care at all levels, while maximizing capacity and increasing operational and financial viability of public and private providers.

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

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

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

(b) The public-private partnership shall:

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

(2) Expand inpatient capacity;

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

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

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

(1) Short-term goals:

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

(B) Provide appropriate financial support to allow for the movement of patients along the continuum of care, regardless of the ability to pay;
(C) Maintain the financial viability of skilled nursing facilities by providing adequate funding from all sources; and
(D) Maintain the financial viability of full-service acute care facilities by reducing the number of waitlisted patients.

(2) Long-term goals:
(A) Improve the continuity of care and efficiency between providers;
(B) Enhance the quality of patient care;
(C) Create a patient-centered health care infrastructure;
(D) Maximize capacity and increase operational and financial viability among network organizations;
(E) Optimize existing resources to maximize return;
(F) Facilitate the transition of care between different levels of care;
(G) Reduce unnecessary transfers of patients and attract medically appropriate transfers from neighboring islands;
(H) Create reimbursement mechanisms that support integrated efforts;
(I) Reduce unnecessary health care use and prevent unnecessary hospitalizations and readmissions; and
(J) Expand access to specialty services to counties that encompass at least three islands inhabited by permanent residents."

SECTION 3. New statutory material is underscored.[1]

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

(Approved July 6, 2012.)

Note

1. Edited pursuant to HRS §23G-16.5.