

PROPOSED

THE SENATE
TWENTY-FOURTH LEGISLATURE, 2007
STATE OF HAWAII

S.C.R. NO. 170
S.D. 1

SENATE CONCURRENT RESOLUTION

REQUESTING THE STATE HEALTH AND PLANNING DEVELOPMENT AGENCY TO
INVESTIGATE AND DETERMINE WHETHER HAWAII PACIFIC HEALTH/
WILCOX MEMORIAL HOSPITAL/KAUAI MEDICAL CLINIC HAS VIOLATED
THE 2001 CERTIFICATE OF NEED AGREEMENT.

1 WHEREAS, in 2001, Wilcox Memorial Hospital (Wilcox) and
2 Kauai Medical Clinic (KMC) merged with Kapi'olani Health and
3 Straub Hospital and Clinics to create Hawaii Pacific Health
4 (HPH); and
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6 WHEREAS, after six years of operation, there appear to be
7 real problems with Wilcox Memorial Hospital and Kauai Medical
8 Clinic; and
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10 WHEREAS, a group pf physicians, county leaders, former
11 hospital administrators, and members of the public have reviewed
12 the Certificate of Need (CON) operating agreement, analyzed the
13 issues and concerns, and determined that the present situation
14 is not working; and
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16 WHEREAS, although physicians are contractually bound to not
17 speak against Hawaii Pacific Health, the parent corporation of
18 Wilcox and KMC, it has been anecdotally reported that the HPH
19 management style has made KMC an undesirable place to work; and
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21 WHEREAS, for instance, in February 2007 alone, six
22 physicians announced their intention to leave KMC; and
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24 WHEREAS, KMC is reducing its commitment to primary care;
25 and
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27 WHEREAS, for example, since the merger, the offices of nine
28 general internists have closed in the Kauai Medical Clinic; and
29

30 WHEREAS, four family practitioners have left the medical
31 group and two pediatricians' practices have closed; and



1 WHEREAS, this is a result of an intentional HPH policy to
2 alter the ratio of specialty care to primary care physicians on
3 Kauai, reducing the number of primary care providers who
4 traditionally provide the majority of care to the disadvantaged,
5 uninsured, and underinsured and who are necessary for health
6 maintenance; and

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8 WHEREAS, structural changes have increased the expense of
9 operating Wilcox; and

10
11 WHEREAS, for example, the outsourcing of long-term care
12 services and resulting loss of management control of long-term
13 care has resulted in Wilcox patients not being accepted into
14 long-term care and increasing unrecoverable costs for Wilcox;
15 and

16
17 WHEREAS, HPH has annually charged Wilcox/KMC significant
18 unallocated expenses in contradiction to the financial model HPH
19 presented in exhibit D-2 of the 2001 CON application; and

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21 WHEREAS, each year these charges, which HPH failed to
22 disclose prior to the merger, have exceeded the savings
23 projected in the 2001 CON application; and

24
25 WHEREAS, under HPH ownership, Wilcox's commitment to care
26 for the disadvantaged, uninsured, and underinsured has wavered;
27 and

28
29 WHEREAS, for example, in 2003 HPH hired ECG Management
30 Consultants and instructed them to find ways to change the payer
31 mix of Wilcox Hospital and reduce free care and patients covered
32 by low paying insurance; and

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34 WHEREAS, in addition, a KMC primary care physician divulged
35 that he has been directed by his supervisor to limit his
36 appointments of Medicaid and Medicare patients because of the
37 low reimbursement rates that these insurance plans provide; and

38
39 WHEREAS, HPH dissolved the KMC Physicians' Advisory Group,
40 a group of physicians elected at-large from the physician ranks
41 to liaison with management, because it voted ninety-five per
42 cent no-confidence in the KMC Medical Director chosen by HPH;
43 and



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1 WHEREAS, as KMC dwindles, the loss in physician and
2 hospital synergy is hurting Wilcox and as a result, in February
3 2007, Kauai Veterans Memorial Hospital (KVMH), a forty-five bed
4 hospital located in an isolated, low population area of Kauai,
5 had more deliveries than Wilcox; and
6

7 WHEREAS, as a result of these problems, Wilcox and KMC seem
8 to be doing worse under HPH than it was before the merger; and
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10 WHEREAS, Wilcox and KMC had positive cash flow margins nine
11 of ten years immediately preceding the consolidation; and
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13 WHEREAS, only a few years before the change, in 2000,
14 Wilcox was selected as one of the one hundred best hospitals in
15 the nation; and
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17 WHEREAS, during the post merger era, Wilcox and KMC have
18 seemingly checkered financial histories, significant physician
19 turnover, and reportedly poor staff morale; and
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21 WHEREAS, the State Health Planning and Development Agency
22 (SHPDA) stated in the 2001 CON: "Non-implementation of a
23 project as described in your application may result in a fine
24 and/or withdrawal of the Certificate of Need."; now, therefore,
25

26 BE IT RESOLVED by the Senate of the Twenty-fourth
27 Legislature of the State of Hawaii, Regular Session of 2007, the
28 House of Representatives concurring, that the State Health
29 Planning and Development Agency (SHPDA) should open a formal
30 case on HPH, Wilcox, and KMC to determine their compliance with
31 its 2001 Certificate of Need operating agreement and recommend
32 remedies; and
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34 BE IT FURTHER RESOLVED that the investigation is requested
35 to include, but not be limited to, the following areas:
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- 37 (1) Public hearings to solicit input from the physicians
38 and staff of Wilcox and KMC and the community;
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- 40 (2) Independent SHPDA due diligence; and
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- 42 (3) A report to look at the effect of revoking the 2001
43 CON and ways to mitigate the impact; and
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1 BE IT FURTHER RESOLVED that certified copies of this
2 Concurrent Resolution be transmitted to the Governor, the
3 Director of Health, the SHPDA Administrator, the Kauai County
4 Mayor and County Council, Wilcox and KMC Physicians, Hawaii
5 Medical Association, and the Hawaii Nurses Association.

