

#### WHAT'S STRESSING OUR HEALTHCARE INDUSTRY?

- Hawaii has one of the lowest Medicare reimbursement rates of any state - 37% lower than the average on the mainland - even though costs to deliver care in Hawaii are among the highest in the nation.
- Medicare/Medicaid/Med-QUEST patients accounted for 40% of hospitalizations in Hawaii in 2000.
- Medicare/Medicaid patients represent more than 80% of nursing home residents each year.
- About 25% of Hawaii's Medicaid budget is spent on inpatient-based long-term care.
- In 2002-03, the State Department of Human Services reduced Medicaid payments to healthcare providers by several million dollars. Because more of our population is elderly and most depend on government programs, reduced payment for care by government impacts Hawaii to a greater extent than the nation as a whole.

HAAH is a non-profit organization that represents and advocates on behalf of Hawaii's people, healthcare providers, healthcare facilities, and the healthcare services they provide.



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## A PERFECT STORM

THE FORCES SHAPING  
HAWAII'S APPROACHING  
HEALTHCARE CRISIS

## HAWAII'S HEALTHCARE CRISIS

COULD HAVE A PROFOUND EFFECT ON YOU,  
YOUR FAMILY, EMPLOYERS, AND EMPLOYEES.



In Hawaii, we're fortunate to have quality healthcare accessible when and where we need it.

But that could be changing.

For years, the operating costs of hospitals, nursing homes, and hospices have risen steadily, while Federal and State reimbursements for the services they perform have declined. Until solutions are found, our hospitals and others are facing a financial crisis that will leave them unable to provide the range of services and level of quality we expect and deserve.

No business can survive when it is only paid 37 cents for every dollar of services.

### WHY ARE OPERATING COSTS RISING?

A number of factors have converged in a "perfect storm" scenario, which, if left alone, will reduce the capability and effectiveness of Hawaii's hospitals, long-term care facilities, hospices, and home-based healthcare.

#### Federal regulations add to costs

The federal government requires healthcare providers to spend millions of dollars to adapt to new, complicated, and often unnecessary regulations. The government pays nothing for this expensive undertaking, which means Hawaii's hospitals must absorb the cost, often cutting costs in other areas to survive.

#### Reduced support for Medicaid and Medicare

Federal and state governments are paying less of the cost for patients on Medicaid and Medicare. Incredibly, government payments amount to only about 37 cents for every dollar of patient costs. What's more, it's typically three to six months before the payments are made. As a result, hospitals are losing money while caring for a large segment of Hawaii's population. Someone has to pay for this care, and it may be you. To lessen the impact of the cost disparity on the medical community, employers and those who are privately insured must absorb the burden by being charged more for services.

#### The high cost of caring for our elders

Hawaii's long term care residents are among the oldest and most dependent in the nation. Federal and state policies are increasingly limiting coverage for this group. The result: the cost of providing for patients is greater than the payments from Medicare and Medicaid, forcing healthcare providers to operate at a loss.

#### Increased charity care and bad debt

Everyone, including the most disadvantaged, deserves quality healthcare. And while Hawaii's healthcare providers deliver some of the best, most accessible care in the nation to those without insurance or in dire straights, the result is an annual industry loss of about \$100 million in charity care and bad debt. That's up from \$52 million just five years ago.

Patient services and healthcare jobs have been lost or cut back across the state.

### WHAT DO WE STAND TO LOSE?

To reduce their losses, Hawaii's hospitals have already been forced to discontinue or reduce day care for sick children, cardiac rehabilitation, obstetrics and nutrition services, and entire nursing units. Healthcare jobs have been lost to communities across the state. Now at risk are alcohol and drug treatment programs for adolescents, school health programs, counseling services, dental care, rape counseling, and immigrant care services.

Hospitals can't continue to provide high-quality patient services and fund these and other programs without some financial relief.

### WHAT CAN YOU DO?

We can't afford to wait for our healthcare system to collapse before we take steps to fix it. Learn the facts about the crisis facing healthcare in Hawaii. Contact the Healthcare Association of Hawaii (HAH) at 808-521-8961 or visit our website at [www.hah.org](http://www.hah.org). Then call or write your legislators and urge them to:

- Increase payments for QUEST patients and patients of other government programs to ensure that government pays its fair share of treatment costs
- Increase the amount of Medicaid payments made to hospitals and nursing facilities
- Reform state tort laws to reduce legal costs

If Hawaii's hospitals are to continue providing high-quality patient care and services, we must act now.