

SB2493

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HEALTH AND HIGHER EDUCATION
ON
SENATE BILL NO. 2493

February 3, 2010

RELATING TO USE OF TOBACCO SETTLEMENT FUNDS

Senate Bill No. 2493 repeals sunset date of Act 264, Session Laws of Hawaii 2007, and Act 119, Session Laws of Hawaii 2009, Relating to Tobacco Fund Settlement, to allow for continued funding of the John A. Burns School of Medicine.

We oppose this bill. The proposed amendment will limit the flexibility of the Executive Branch to review program funding requirements and allocate funding to programs based on statewide priorities within available resources. The proposed amendment also would not provide any flexibility to account for any adverse fiscal conditions and will obligate future Legislatures to provide funding without regard to appropriateness. We suggest a review of the debt services and operating cost of the John A. Burns School of Medicine to determine an appropriate funding amount rather than allocating a percentage of an unspecified revenue amount.



UNIVERSITY OF HAWAII SYSTEM
Legislative Testimony

Written Testimony Presented Before the
Senate Committees on Health,
And Higher Education

February 3, 2010, 2:45 p.m.
By

Virginia S. Hinshaw, Chancellor

And

Jerris R. Hedges, MD, MS, MMM
Dean and Professor of Medicine
Barry & Virginia Weinman Endowed Chair
John A. Burns School of Medicine
University of Hawai'i at Mānoa

SB 2493 – RELATING TO USE OF TOBACCO SETTLEMENT FUNDS

Aloha, Chair Ige, Chair Tokuda and members of the Senate Committees on Health and Higher Education. Thank you for this opportunity to testify in support of Senate Bill 2493, which would repeal the sunset date on tobacco master settlement agreement monies for continued use by the John A. Burns School of Medicine.

We are grateful for the bill's purpose, as stated in section one, to enable the medical school to continue to operate and graduate new physicians.

This coming May, we will graduate 62 physicians, twelve of whom are Native Hawaiians. That gives us a great sense of pride, because we know those students – and really, all our graduates – understand the critical health care needs of Hawai'i's diverse people. Our state's Native Hawaiian citizens, in particular, are five times more likely to die from diabetes than Caucasians in Hawai'i. Other disparities exist among our citizens of Japanese and Filipino ancestry.

The Legislature's investment in JABSOM is enabling us to grow more physicians. This year, in fact, despite a more than \$3 million dollar reduction in our state general funding, we will – without new state appropriations – increase the size of our incoming class from 62 to 64 students. This is a modest increase, to be sure, but one that required commitment from our faculty, staff and administrators, and something we would not be able to consider without the support you have given us in the tobacco settlement monies.

It is important to understand that although we graduate 62 (and soon to be 64) students per year, the School of Medicine trains a total of 250 medical students year-round. Through partnering with our major local hospitals, we simultaneously train another 240 medical “residents”: men and women with their medical degrees who are treating patients while mastering their skills in fields including primary care, pediatrics, obstetrics and family medicine. We have another ten students who are from disadvantaged backgrounds whom we are training for a fifth year of college study, so that they may become medical students. Additionally, we have another 120 or so undergraduate and graduate students studying health sciences.

We need to keep JABSOM on a course to success because we face a rapidly growing physician shortage, because we attract major funding into the community – 42 million dollars last year – through outside sources to be spent on research and outreach to benefit our community, and because we treat Hawai'i's people for tobacco-related disease and strive to reduce the tobacco addiction that costs our state more than 350 million dollars a year and destroys the quality of our citizens' lives.

Briefly, on workforce, our latest research – reported to this Legislature the past week – shows that 40% of Hawai'i's current practicing physicians are expected to reach retirement age within 10 years. According to national standards, we are already are more than 500 physicians short, based on our population. Just maintaining that

underserved status will require us to graduate or recruit into the state more than 150 physicians each year.

When JABSOM's Kaka'ako campus was built, the Medical School also had to assume its own expenses for electricity, security and custodial services – costs that were previously absorbed by UH Mānoa. The tobacco settlement funding allows us to meet those expenses.

We are making every effort to reduce the amount of general fund support required for JABSOM. In addition to the state-imposed budget cuts this past year, we have instituted a “green initiative” that is projected to save one million dollars this year by shortening hours of operation – and at times shutting down completely – our Medical Education Building. As you know, that is on top of the fact that our facility already is more efficient than many other state buildings because of features, including the energy saving seawater cooling system, which allowed JABSOM to be awarded a LEED (Leadership in Energy and Environmental Design) certification in 2008.

Finally, tobacco cessation and tobacco dependence treatment for the people of Hawai'i are prominent throughout the medical school's curriculum.

Our JABSOM faculty, residents, medical students, and related healthcare professionals provide daily care for patients who smoke, and routinely offer them help in quitting through interventional counseling.

Tobacco dependence and its management are taught throughout all four years of our medical school curriculum. They are integrated with patient care responsibilities in the post-graduate residency training programs. And our faculty and students are actively involved in community education, including a variety of programs that benefit Kindergarten through 12th grade students and through hospital-based services that benefit the people of Hawai'i. Because it is well-reported in the medical literature that

smokers are almost 30% more likely to quit after being counseled by their physician, it should be recognized that JABSOM provides the State with an invaluable resource that contributes significantly towards helping Hawai'i smokers quit.

In order to achieve consistency between the various laws that affect the tobacco settlement funds, we respectfully suggest that the language in SB 2493 be modified by the insertion of a repeal date of June 30, 2015 in place of the deletion of the repeal date of June 30, 2011. The new language would be as follows:

SECTION 2. Act 264, Session Laws Hawaii 2007, as amended by section 22 of Act 16, Session Laws of Hawaii 2008, is amended by amending section 4 to read as follows:

"SECTION 4. This Act shall take effect on July 1, 2007, and shall be repealed on June 30, [~~2011~~2015]; provided that section 328L-2, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act."

Thank you for considering our suggested language.

Mahalo for this opportunity to testify.



SENATE COMMITTEE ON HEALTH
Senator David Ige, Chair

SENATE COMMITTEE ON HIGHER EDUCATION
Senator Jill Tokuda, Chair

Conference Room 016
Feb. 3, 2010 at 2:45 p.m.

Supporting SB 2493.

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of SB 2493, which repeals the sunset date of the law allowing tobacco settlement funds allocated to the University of Hawaii to be used for the operations of the John A. Burns School of Medicine.

The John A. Burns School of Medicine is the only medical school in Hawaii. Its primary mission is to train physicians for Hawaii and the Pacific, and approximately 60% of the practicing physicians in Hawaii are graduates of the John A. Burns School of Medicine MD or residency program.

In 2007 the Legislature passed Act 264, SLH 2007. At that time 28% of the tobacco settlement funds were allocated to the University of Hawaii to fund a new health and wellness center, including a new medical school facility. The new medical school facility was constructed in 2005. Act 264, SLH 2007, allowed those tobacco settlement funds to be used for the operating expenses of the medical school. This arrangement has been working well, and the sunset date should now be repealed.

For the foregoing reasons, the Healthcare Association supports SB 2493.



The Official Sponsor of Birthdays

February 1, 2010

Committee on Health
Senator David Ige, Chair
Senator Josh Green, M.D., Vice Chair

Committee on Higher Education
Senator Jill Tokuda, Chair
Senator Norman Sakamoto, Vice Chair

Hearing:

2:45 P.M. Wednesday, February 3, 2010
Hawaii State Capitol, Room 016

RE: SB2493 – Relating to use of tobacco settlement funds.

Comments

Chairs Ige and Tokuda, and members of the Committees on Health, and Higher Education. Thank you for the opportunity to offer these comments on SB2493 which repeals the sunset date in Act 264, and makes permanent the 28% allocation from the Hawaii tobacco settlement special fund to the John A. Burns School of Medicine.

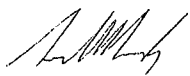
The American Cancer Society Hawaii Pacific Inc. is a community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer. This mission includes advocating for access to quality health care, medical and biomedical research, public health policy, and effective tobacco control measures.

Both our medical school and our tobacco control program have equally positive health impacts in the treatment and prevention of cancers in Hawaii. For this reason, we offer comments only. The Society certainly values a robust medical school to teach and train high-quality physicians, biomedical scientists, and allied health workers for Hawaii and the Pacific. At the same time we also see value in having a viable and sustainable tobacco control program dedicated to reducing the negative impact on the health of our citizens caused by tobacco use.

We would ask that our legislature, in addition to providing for the sustainability of JABSOM, also continue to provide and ensure the sustainability of our tobacco control prevention and cessation efforts.

Mahalo for the opportunity to provide comments on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Massengale". The signature is stylized with a large initial "G" and a long horizontal stroke.

George S. Massengale, JD
Director of Government Relations



THE QUEEN'S MEDICAL CENTER

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Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair
COMMITTEE ON HEALTH

Senator Jill N. Tokuda, Chair
Senator Norman Sakamoto, Vice Chair
COMMITTEE ON HIGHER EDUCATION

Wednesday, February 3, 2010, 2:45 p.m.
State Capitol, Conference Room 016

RE: SB 2493 Relating to Use of Tobacco Settlement Funds

Chairs Ige and Tokuda, Vice Chairs Green and Sakamoto and Members of the Committees:

My name is Sharlene Tsuda, Vice President, Community Development of The Queen's Health Systems, testifying in strong support of SB 2493 which repeals the sunset date in Act 264, relating to tobacco fund settlement, for continued use by the John A. Burns School of Medicine (JABSOM).

Queen's is the largest private tertiary care hospital in the State of Hawaii offering specialized care in the areas of cardiology, neuroscience, orthopedics, behavioral health, oncology, women's health, emergency services and trauma. Queen's has the largest number of physicians, nurses, and other professional and technical staff in the state supporting the people of Hawaii.

We recognize that education and research are key ingredients in providing excellent patient care. Queen's has a longstanding history of supporting healthcare education and training in Hawaii and is home to a number of residency programs offered in conjunction with JABSOM. Many of the physicians practicing at Queen's today received their education at JABSOM. As medical knowledge, innovation and technology continue to expand, the capability to prepare future physicians for practice here in Hawaii will become increasingly important.

While Queen's wholly appreciates the Legislature's budgetary challenges in light of the State's economic outlook, we respectfully ask the Legislature's consideration of the positive community benefit of a fully-operational John A. Burns School of Medicine brings to Hawaii. The Queen's Health Systems and The Queen's Medical Center are committed to our partnership with the John A. Burns School of Medicine and look forward to continued collaboration to meet the patient care, education, and research needs of our community.

We urge you to pass this measure and thank you for the opportunity to testify.



**Testimony to the Senate Committees on Health and Higher Education
Wednesday, February 3, 2010
2:45 p.m.
Conference Room 016**

RE: SENATE BILL NO. 2493 RELATING TO TOBACCO SETTLEMENT FUNDS

Chairs Ige and Tokuda, Vice Chairs Green and Sakamoto, and Members of the Committees:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber supports SB 2493 relating to Use of Tobacco Settlement Funds.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

A principal part of the Chamber's role has been to foster and improve healthcare in Hawaii through our support of the John A. Burns School of Medicine (JABSOM) and partnership with the hospitals in Hawaii. The Chamber recognizes that JABSOM plays a major role in supplying the state with much needed qualified physicians.

HB 2462 will enable the University of Hawaii's John A. Burns School of Medicine (JABSOM) to continue to use tobacco settlement funds in order to operate and graduate new physicians in Hawaii. Act 264 which was passed in 2007 allowed JABSOM to utilize the tobacco settlement funds for operating expenses. However, Act 264 will sunset as of June 2011. Once Act 264 sunsets, the ability of JABSOM to apply tobacco settlement funds for operating expenses will be eliminated. This will have a significant negative impact upon JABSOM's ability to graduate new physicians.

JABSOM plays a major role in educating and thereby providing physicians in Hawaii. As much as 80% or more of its graduating physicians remain in Hawaii, providing much needed health care locally. Nearly 90% of JABSOM's students are residents of Hawaii. Without JABSOM, Hawaii's students would have to be sent to another state to train, and the likelihood of their returning to practice in Hawaii would be compromised because of the allure of higher incomes and lower costs of living.

Additionally, JABSOM's faculty members do not just teach. Many of them also have active practices and treat Hawaii's families, practicing in partnership with our teaching hospitals. With the increasing shortage of physicians throughout the state, eliminating funding to JABSOM will

reduce its ability to continue to "grow" more physicians for our citizens. Clearly, the gap between physician workforce needs and physician availability is growing and will continue to do so as our population and physician workforce continues to age.

Therefore, we urge the Committees to pass SB 2493 and maintain the funding mechanism for JABSOM. Thank you for the opportunity to testify.



COALITION FOR A
TOBACCO-FREE HAWAI'I

To: The Honorable David Y. Ige, Chair, Committee on Health
The Honorable Jill N. Tokuda, Chair, Committee on Higher Education
The Honorable Josh Green, M.D., Vice Chair, Committee on Health
The Honorable Norman Sakamoto, Vice Chair, Committee on Higher Education
Members, Senate Joint Committee on Health and Higher Education
From: Trisha Y. Nakamura, Esq., Policy and Advocacy Director
Date: February 3, 2010
Hrg: Joint Committee on HTH/HRE; February 3, 2010 in Rm 016 at 2:45 p.m.
Re: **Comments regarding SB 2493: Relating to the Use of Tobacco Settlement Funds**

Thank you for the opportunity to provide comments regarding SB 2493.

The Coalition for a Tobacco Free Hawai'i (Coalition) is the only independent organization in Hawai'i whose sole mission is to reduce tobacco use through education, policy and advocacy. Our organization is a nonprofit organization of over 3,000 organizations and members working to create a healthy Hawai'i through comprehensive tobacco prevention and control efforts. The Coalition started in 1996, under the auspices of the American Cancer Society and was joined by the American Heart Association and the American Lung Association. These three organizations together with many others worked on the initial legislation on how the Tobacco Settlement moneys should be used to promote tobacco prevention and control

The Coalition does not oppose any effort to address the doctor shortage in Hawai'i or efforts to improve medical care here at home. Rather, it offers a history of the Tobacco Settlement Special Fund to emphasize the original intent on how to use this fund.

I. The Tobacco Settlement Special Fund Was Intended for Tobacco Prevention and Cessation

Hawai'i receives Tobacco Settlement moneys as the result of a settlement entered into between 46 states and the major tobacco companies to recover damages for tobacco-related health care costs paid by taxpayers because of the harms caused by cigarettes.

By joining the settlement, Hawai'i made a promise to the people of Hawai'i to reduce youth use of tobacco and to advance public health.¹ This promise is reflected in Act 304, SLH 1999 (SB 1034, SD 1, HD 2, CD 1) which creates the Tobacco Settlement Special Fund. The Tobacco

¹ Hawai'i upon signing the settlement, agreed to "reduc[e] underage tobacco use by discouraging such use and by preventing Youth access to Tobacco Products" and avoid further cost of litigation to "achieve for [Hawai'i and its] citizens significant funding for the advancement of public health." (See Master Settlement Agreement, Recitals. Available at <http://ag.ca.gov/tobacco/pdf/lmsa.pdf> (last visited Jan 28, 2010).

Settlement Special Fund was created to “serve as a medium for a public-private partnership to:(1) Reduce tobacco consumption in Hawaii; (2) Control and prevent chronic diseases where tobacco is a risk factor; (3) Promote healthy lifestyles through better nutrition and improved physical activity; and (4) Promote children’s health. The Tobacco Settlement Special Fund was also intended to “serve as a mechanism to maximize financial resources for tobacco prevention and control, health promotion and disease prevention programs, children’s health programs, and to serve as a long-term source of stable funding for prevention-oriented public health efforts.”

Although we’ve made significant progress in reducing tobacco use and saving lives because of the investment in tobacco prevention and control, tobacco use remains a serious health issue. Tobacco continues to kill more people than alcohol, murders, AIDS, car crashes, illegal drugs and suicides COMBINED. In fact, lung cancer associated with tobacco use kills more women than breast cancer in Hawai‘i. Hawai‘i still has over 150,000 adult smokers throughout the State. And more than 1,000 Hawai‘i youth become daily smokers each year. Smoking costs us over half a billion dollars per year in smoking-related health care costs and lost productivity.

II. The Legislature Never Intended to Permanently Fund Operations of the University of Hawai‘i Medical School with Tobacco Settlement Moneys

In 2001, in special session, the Legislature diverted 28% of the Tobacco Settlement moneys from the Emergency and Budget Reserve Fund (“Rainy Day Fund”) and the Hawai‘i Tobacco Prevention and Control Trust Fund to assist in the construction of the medical school. **The Trust Fund was cut by 50% at that time.**

These diverted funds were only intended for the moneys and costs needed to build the building.² Moneys left over after payment would be returned to the Rainy Day Fund and the Hawai‘i Tobacco Prevention and Control Trust Fund. Once the debt had been paid, the Tobacco Settlement moneys would go back to the Rainy Day Fund and Tobacco Prevention and Control Trust Fund.

In 2007, the Legislature added that the 28% allotted for the Medical School could fund **annual operating expenses** with excess going to the Rainy Day Fund (80%) and Tobacco Prevention and Control Trust Fund (20%). The funding of operational expenses was intended to be

² The diverted moneys were to “be applied solely to the payment of the principal or and interest on, and to generate required coverage, if any, for, revenue bonds . . . to finance the cost of construction of a university health and wellness center including a new medical school facility. (21st Legislature, 3rd Special Session, SB 13).

temporary—from July 1, 2007 to June 30, 2011 when the amendments would be repealed and the medical school portion would remain for building-associated costs only.

In 2008, (Act 16, SLH 2008) the Legislature clarified that HRS 328L-2 would be reenacted in the form prior to the 2007 amendments: the medical school portion of Tobacco Settlement moneys could only be used for the bonds and interest on the bonds to build the facility.

The measure before you today will make the funding for medical school operations permanent.

III. The Community Is Hurt By Cuts to Tobacco Prevention and Control Funding

The greatest reduction from the original allocation has been from the Tobacco Prevention and Control Trust Fund—almost 75%. These moneys go toward “reducing cigarette smoking and tobacco use among youth and adults through education and enforcement activities, and controlling and preventing chronic diseases where tobacco is a risk factor” has been diverted.

The Trust Fund currently only receives 6.5% of the Tobacco Settlement Special Fund as compared to the original 25%. The recent cuts to the fund mean that less programs receive less grant money from the Trust Fund. Most importantly, the cuts mean that less smokers will receive help to quit, and less youth will learn the tools to reject tobacco from tobacco prevention programs.

In making your decision today, please consider the purpose of the Tobacco Settlement Special Fund and think of the numerous health issues tobacco prevention addresses and the lives impacted.

Thank you for the opportunity to comment on this matter.