

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 239, S.D. 2, H.D. 2

April 1, 2011

RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

Senate Bill No. 239, S.D. 2, H.D. 2, extends the authorization that allows the John A. Burns School of Medicine (JABSOM) a portion of the Hawaii Tobacco Settlement Special Fund moneys for annual operating costs through FY 15. The percentage of tobacco settlement moneys for JABSOM will decline on an annual basis and that amount (unspecified) will be used to develop a School of Public Health at the University of Hawaii, a Hawaii Medical Doctor Loan Program, and the Hilo Medical Center Rural Interdisciplinary Residency Program. This bill creates a University of Hawaii School of Public Health special fund, a Hawaii Medical Doctor Loan Program special fund, and a Hilo Medical Center Rural Interdisciplinary Residency Program special fund to finance each program, respectively. The funds would generate revenues through tobacco settlement moneys, and other sources of funds.

The department recognizes the benefit of user fees to offset operational expenses and costs. However, as a matter of general policy, the Department of Budget and Finance expects the creation of any special fund would meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 239, S.D. 2, H.D. 2, it does not appear that the funds meets these criteria.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
April 1, 2011 at 5:00 p.m.

By

Virginia S. Hinshaw, Chancellor
and

Jerris Hedges, MD, MS, MMM, Dean
John A. Burns School of Medicine
University of Hawai'i at Mānoa

SB 239, SD2, HD2 – RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND

Aloha Chair Oshiro, Vice Chair Lee and members of the House Committee on Finance. Thank you for this opportunity to provide testimony on SB 239, SD2, HD2. As originally drafted SB 239, SD2, HD2 would have extended the sunset date on tobacco master settlement agreement monies for continued use by the John A. Burns School of Medicine (JABSOM) from June 30, 2011 to June 30, 2015.

We support and reinforce the version of HB 1330, HD1 (the companion bill to SB 239) as passed by the House and submitted to the Senate.

JABSOM agrees that supporting public health and neighbor island residencies are worthy endeavors and appreciates the Legislature's concerns. In addition to educating doctors who care for patients with tobacco-related illnesses as well as incorporating tobacco prevention programs into its courses of study, JABSOM is already engaged in programs such as residency rotations on the neighbor islands, preparatory studies for students who are socially and financially disadvantaged, and training speech pathologists locally. Also, UH Mānoa is engaged in planning for a School of Global and Community Health.

It is noted that the percentages by which JABSOM's allocation of the tobacco funds will be reduced beginning in fiscal year 2012 are not specified in the current version of SB 239, SD1, HD2. Accordingly, we are unable to assess the fiscal implications of the proposed reduction in funding in the measure. Therefore, we are not able to fully support SB 239, SD2, HD2 in its current form, and respectfully ask that this Committee consider HB 1330, HD1.

Thank you for this opportunity to testify.

Written Testimony Presented Before the
House Committee on Finance
April 1, 2011 at 5:00 pm

By
Michele Carbone, MD, Director
University of Hawaii Cancer Center

**SB 239, SD2, HD2 RELATING TO THE HAWAII TOBACCO SETTLEMENT
FUND**

Chair Oshiro, Vice Chair Lee and members of the House Committee on Finance, mahalo for the opportunity to share our support for SB 239, SD2, HD2, which would extend the sunset date on tobacco master settlement agreement monies for continued use by the John A. Burns School of Medicine (JABSOM) from June 30, 2011 to June 30, 2015.

We ask that this Committee pass SB 239, SD2, HD2 without a reduction in the amounts JABSOM may use for operating expenses.

The University of Hawaii Cancer Center is one of only 65 National Cancer Institute (NCI) designated Cancer Centers in the country. The Center studies cancer in relation to the unique physical, cultural, and environmental characteristics of Hawaii. Our mission is to reduce the burden of cancer and ensure a healthier future for the people of our state. We are a research enterprise affiliated with the University of Hawaii at Manoa.

We applaud the legislature's previous decision to allow monies from the tobacco settlement fund to help operate the John A. Burns School of Medicine. It is imperative that we provide support for educating and training young physicians. Physician shortages across the nation have created a near crisis situation in some areas. We know that 50% of the physicians trained in Hawaii stay in Hawaii. Therefore, providing funding for the operational health of our Medical School should remain one of our state's highest priorities.

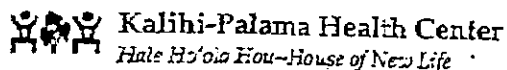
The perils of tobacco use have long been known. Smoking is one of the most preventable causes of death in our society. But national research also tells us there is no safe form of tobacco use. At least 28 chemicals in smokeless tobacco have been found to cause oral, esophageal, and pancreatic cancer. All tobacco products contain nicotine which is addictive. It seems most fitting that monies from the tobacco master settlement would be utilized to support the Medical School--an entity that does so much to ensure the health and access to quality medical care for our residents here in the Islands.

Cancer research and care is enhanced by strong alliances with community and educational partners. The medical school is a valuable partner in the University of Hawaii Cancer Consortium. Formed to support the growth and expansion of cancer research and care in our state, the consortium exists to channel groundbreaking discovery into the clinical setting for the benefit of the patient. Our researchers collaborate closely with the clinicians at the Queen's Medical Center, Hawaii Pacific Health and Kuakini Medical Center to ensure that our cancer patients have access to the most innovative treatments and clinical trials close to home.

Whether through its conduct of medical research, community education and outreach programs or through the critical training of young medical professionals to serve our communities, JABSOM is essential to the Cancer Center's future success and to the improved health of all who reside in Hawai'i. We strongly urge you to support SB 239, and continue your commitment to improving the well being of the people of Hawai'i.

Extending the sunset date on the tobacco settlement monies to 2015 and allowing JABSOM to apply the entirety of the funds (after debt service) for operating expenses are vital to health care in Hawaii.

Thank you for your time regarding this measure.



915 North King Street
Honolulu, Hawaii 96817

House Committee on Finance
Friday, April 1, 2011

SB 239, SD2, HD2 Relating to the Hawaii Tobacco Settlement Special Fund

Chair Oshiro, Vice Chair Lee, and Members of the Committee, my name is Darrin Sato from *Kalihi-Palama Health Center*.

Please support SB 239, SD2, HD2 which would extend the authorization for JABSOM to receive funding from the Tobacco Settlement Fund for operating purposes.

We ask that this Committee pass SB 239, SD2, HD2 without a reduction in the amounts JABSOM may use for operating expenses.

A stable stream of these funds over the years has allowed JABSOM to conduct tobacco related programs, including incorporating tobacco prevention and treatment in its core curricula.

Research has shown that patients are 30% more likely to accept and follow through on smoking advice provided by their doctor than from any other source. There will be fewer physicians in Hawaii (especially on the neighbor islands) to give that life-saving advice if JABSOM loses the essential support of the Tobacco Settlement Fund. A study completed just last year found that because of retirements and increasing demands from an aging population, there is a need for about 150 new doctors per year. JABSOM is currently graduating less than half of that amount; yet the data show that the students who attend JABSOM are the most likely to remain and practice here — more than 50% of the practicing physicians in Hawaii have received some or all of their training at JABSOM or serve on its faculty.

As a Community Health Center, we provide training for medical students and residents. We utilize this as a means to attract future doctors into primary health care for the underserved population.

Use of the monies from the Tobacco Settlement makes practical sense, since it is often JABSOM programs and staff who work to conduct the research, studies, outreach and treatment of tobacco-related illness. Extending the sunset date on the tobacco settlement monies to 2015 and allowing JABSOM to apply the entirety of the funds (after debt service) for operating expenses are vital to JABSOM's sustainability.

Thank you for your time in reviewing my testimony.



HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

Friday, April 1, 2011 4:00 PM Conference Room 308

To: COMMITTEE ON WAYS AND MEANS
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

From: Hawaii Medical Association
Dr. Morris Mitsunaga, MD, President
Linda Rasmussen, MD, Legislative Co-Chair
Dr. Joseph Zobian, MD, Legislative Co-Chair
Dr. Christopher Flanders, DO, Executive Director
Lauren Zirbel, Community and Government Relations

Re: SB 239, SD2 HD2 RELATING TO THE HAWAII TOBACCO SETTLEMENT
SPECIAL FUND

In Support.

Chairs & Committee Members:

Hawaii is short 644 Doctors - a 23% increase in supply is needed. The shortage is expected to increase to 50% in the next decade. Patients injured on neighbor islands often unnecessarily die or have lifelong medical issues due to our access to care crisis.

Doctors have been leaving the state for the past decade due to increasing Malpractice Insurance Premiums, Increasing Managed Care Costs and decreasing Reimbursements from Public and Private Plans.

These shortage projections include a Medical School that can continue to attract individuals who want to practice in Hawaii despite the much less attractive economic environment Hawaii offers young Doctors when compared to the mainland.

If the medical school is forced to raise tuition and decrease its rural outreach, our access to care problem will implode even faster than what is currently projected by Hawaii's workforce assessment.

Thank you for the opportunity to provide this testimony.

OFFICERS

PRESIDENT - MORRIS MITSUNAGA, MD PRESIDENT-ELECT - ROGER KIMURA, MD
SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - DR. ROBERT C. MARVIT, MD TREASURER
- STEPHEN KEMBLE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO

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April 1, 2011

The Honorable Marcus R. Oshiro, Chair
The Honorable Marilyn B. Lee, Vice Chair
House Committee on Finance

Re: SB 239 SD2, HD2 – Relating to the Hawaii Tobacco Settlement Special Fund

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 239 SD2, HD2. HMSA supports that provision of the Bill that extends the authorization to June 30, 2015, for the use of a portion of the Hawaii Tobacco Settlement Special Fund (Tobacco Funds) by the John A. Burns School of Medicine (JABSOM). However, we offer no comments on the other provisions of this legislation.

JABSOM stands as the fulcrum of Hawaii's development as the health center of the Pacific. We believe that JABSOM has made wise use of its share of the Tobacco Funds by investing in the training of medical professionals and technicians who go on to live and work in Hawaii. And, we very much are cognizant of the need for such services in our remote island communities.

In addition to training physicians, Tobacco Funds have been used to train speech pathologists, medical technicians, and public health specialists – all members of the health care community. The nexus between the Tobacco Funds and these health care providers is clear. The health risks of tobacco use and second hand smoke is evident and documented in cases of lung cancer, pneumonia, asthma, and higher blood pressure.

We believe that every effort to address the cause and effects of tobacco use, including the schooling of those professionals and technicians who help to ameliorate those factors, is imperative and a proper use of the Tobacco Funds.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in black ink, appearing to read "JD".

Jennifer Diesman
Vice President
Government Relations



55 Merchant Street
Honolulu, Hawaii 96813-4333

HAWAII PACIFIC HEALTH

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www.hawaiipacifichealth.org

Friday, April 1, 2011
5:00 p.m.

The House Committee on Finance

To: Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

From: Virginia Pressler, MD, MBA
Executive Vice President

Re: **SB 239, SD2, HD2 RELATING TO THE HAWAII TOBACCO SETTLEMENT SPECIAL FUND
Testimony in Support**

My name is Ginny Pressler, MD Executive Vice President at Hawaii Pacific Health (HPH). Hawaii Pacific Health is a nonprofit health care system and the state's largest health care provider, committed to providing the highest quality medical care and service to the people of Hawaii and the Pacific Region through its four affiliated hospitals, 44 outpatient clinics and more than 2,200 physicians and clinicians. The network is anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Kapi'olani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital. Collectively, they lead the state in the areas of women's health, pediatric care, cardiovascular services, bone and joint services and cancer care. Hawaii Pacific Health ranks among the top 3.8 percent of hospitals nationwide in electronic medical record adoption, with system-wide implementation that allows its hospitals to offer integrated, coordinated care throughout the state. Learn more at: <http://www.hawaiipacifichealth.org>

We are writing in support of SB 239, SD2, HD2 which would extend the sunset date on the tobacco master settlement agreement monies for continued use by the John A. Burns School of Medicine (JABSOM) from June 30, 2011 to June 30, 2015. We ask that this Committee pass SB 239, SD2, HD2 without a reduction in the amounts JABSOM may use for operating expenses.

JABSOM is the only medical school in Hawaii. The majority of physicians practicing in Hawaii are graduates of JABSOM or its residency program. As many as 80% of JABSOM's graduating physicians remain in Hawaii, providing much needed health care throughout the state.

HPH maintains a close working relationship with JABSOM. Many of JABSOM's residency programs are based in our hospitals; many of JABSOM's graduates also practice in our hospitals. Given the projected shortages of physicians and healthcare professionals for the state, JABSOM's continued ability to educate and train future physicians for practice in Hawaii is critical. Extending the sunset date on the tobacco settlement monies to 2015 and allowing JABSOM to apply the entirety of the funds (after debt service) for operating expenses are vital to JABSOM's sustainability.

Thank you for your time regarding this measure.



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THE QUEEN'S MEDICAL CENTER

1301 Punchbowl Street • Honolulu, Hawaii 96813 • Phone (808) 538-9011 • Fax: (808) 547-4646

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair
COMMITTEE ON FINANCE

April 1, 2011 – 5:00 p.m.
State Capitol, Conference Room 308

RE: SB 239 SD2 HD2, Relating to the Hawaii Tobacco Settlement Special Fund – Support, Request Amendment

Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Sharlene Tsuda, Vice President, Community Development of The Queen's Health Systems. We support the intent; however, we would like to request that this bill be amended to the original language of HB 1330, which maintains the current funding level and extends the sunset date in Act 264, relating to tobacco fund settlement, for continued use by the John A. Burns School of Medicine (JABSOM). Decreased funding to JABSOM may result in program cuts.

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.

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.

While Queen's appreciates the Legislature's budgetary challenges, we urge you to amend this measure and respectfully ask the Legislature's consideration of the positive community benefit that a fully-operational John A. Burns School of Medicine brings to Hawaii. Thank you for the opportunity to provide written comments.

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Association mission is:
Building healthier lives free of
cardiovascular diseases and
stroke.



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Testimony on SB 239, SD2, HD2 "Relating To The Hawaii Tobacco Settlement Special Fund"

One of the American Heart Association's leading policy focuses is to insure that each state invests in tobacco prevention, control and cessation programs at at least the minimum level recommended by the Centers for Disease Control. Tobacco use remains the leading preventable cause of death in our state and in the country, and a leading risk factor for heart disease and stroke.

The U.S. Centers For Disease Control (CDC) recommends that Hawaii needs to invest a *minimum* of \$15.4 million each year to fund an effective, comprehensive tobacco control program. The most that Hawaii has invested since the Tobacco Prevention and Control Trust Fund was established was approximately \$8 million.

At the same time, according to the Federal Trade Commission, the tobacco companies spend approximately \$42 million each year toward marketing and advertising their deadly products in Hawaii.

The American Heart Association also supports the University of Hawaii John A. Burns School of Medicine. In fact, it is currently funding a \$95,000 research grant at JABSOM. However, it believes that JABSOM's operational costs (janitorial services, landscaping, electricity, etc.) should be funded from a source other than those that were originally targeted to fund community tobacco prevention and control programs throughout our state. That loss of revenue means that fewer new community programs can be established and it has stalled the growth of a sustainable infrastructure of programs that would otherwise have further reduced smoking rates, and deaths and disability caused by tobacco use.

A study completed last year by Penn State University estimated that in Hawaii the annual direct costs to the economy attributable to smoking were in excess of \$1.1 billion, including workplace productivity losses of \$215 million, premature death losses of \$449 million, and direct medical expenditures of \$444 million. While the retail price of a pack of cigarettes in Hawaii is on average \$7.45, the combined medical costs and productivity losses attributable to each pack of cigarettes sold are approximately \$23.26 per pack of cigarettes.

Allocations to the Tobacco Prevention and Control Trust Fund were halved from 25 percent of annual Tobacco Settlement Funds received by Hawaii to only 12 ½ percent in 2001 following the 9/11 attacks to pay for construction of the new University of Hawaii medical school. At that time, the intent was to build the medical school and then return any moneys in excess of that needed for the construction to the Tobacco Settlement Fund, with the returned funds being allocated 80% to the "rainy day fund" and "20% to the Tobacco Prevention Fund. Since then, allocations to the Trust Fund were cut in half again so that currently only 6 ½ percent of the Settlement Funds actually fund tobacco prevention, cessation and control programs.

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For information on the AHA's educational or research programs, contact your nearest AHA office, or visit our web site at www.americanheart.org.

Honolulu County:
667 Ala Moana Blvd.,
Suite.600
Honolulu, HI 96813-5485
Phone: 808-538-7021
Fax: 808-538-3443

Maui County:
J. Walter Cameron Center
95 Mahalani Street, No. 13
Wailuku, HI 96793-2598
Phone: 808-244-7185
Fax: 808-242-1857

Hawaii County:
400 Hualani Street, Ste. 15
Hilo, HI 96720-4344
Phone: 808-961-2825
Fax: 808-961-2827

Kauai County:
(served by the Oahu office)
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Returning those funds diverted for the Medical School construction and operations to help Hawaii smokers and youth to cease from smoking, or to never start, will insure that future generations of Hawaii taxpayers will no longer have to subsidize tobacco industry profits through the payment of tobacco-related healthcare costs.

The structure of the Master Settlement Agreement payments from the tobacco industry to the state are based on national smoking rates. As smokers die, and tobacco-control efforts continue to successfully wean current tobacco users off their addiction and prevent new smokers from starting, payments from the industry to the state will drop, thus making those payments an unstable source of operating income for the Medical School. Drops in tobacco control program funding as a result of drops in smoking rates would be not only acceptable, but a goal of those programs. A reduction in smoking rates, the death and disability caused by tobacco use, and its resulting economic costs should also be the goal of the state.

While the American Heart Association of Hawaii supports the U.H. John A. Burns School of Medicine and science programs, and in fact has invested millions of dollars in research there, it strongly urges legislators to identify an alternative, more appropriate, stable source of funding for the Medical School's day-to-day operations. Tobacco settlement funds should be used to help those who affected directly by tobacco addiction and tobacco industry marketing.

Also, should funding from the Tobacco Prevention and Control Trust Fund be allocated to other state-funded organizations or programs for the express purpose of engaging in tobacco prevention and control, then those organizations and programs should be required to submit competitive grants and be held to the same assessment requirements as other community programs funded through that source to insure that those funds are used appropriately and have the desired outcome of reducing tobacco use in our state.

Respectfully submitted,

Donald B. Weisman
Hawaii Advocacy Director



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March 31, 2011

Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Hearing:

5:00 p.m., Friday, April 1, 2011
Hawaii State Capitol, Room 308

SB239

RE: ~~SB293~~, SD2, HD2 – Relating to the Hawaii Tobacco Settlement Special Fund

Comments

Chair Oshiro, Vice Chair Lee and members of the Committee on Finance. Thank you for the opportunity to offer these comments on SB239, SD2, HD2 which would extend the appropriation by a decreasing annual amount of a portion of Hawaii tobacco settlement special fund moneys for annual operating expenses of JABSOM until June 30, 2015. It also would establish a University of Hawaii School of Public Health and dedicated Special Fund, the Hawaii Medical Doctor Loan Program with a dedicated Special Fund, and the Hilo Medical Center Rural Interdisciplinary Residency Program, also with a dedicated Special Fund. Finally, it deposits a decreasing annual amount into the three special funds in unspecified percentages.

As the committee members know, we have offered comments regarding this bill and a House companion measure, HB1330. Our comments remain essentially the same, the American Cancer Society has been a long time supporter and advocate of JABSOM and the use of Master Settlement Agreement (MSA) funds to build and help operate the Kaka'ako campus. At the same time, the Society has a mission to eliminate cancer as a major health problem in Hawaii through access to quality health care, medical and biomedical research, and public health policies that strongly advocate for an effective and sustainable tobacco control program.

Needless to say, both our medical school and our tobacco control program have equally positive health impacts in the treatment and prevention of cancers in Hawaii. 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. We also see equal value in maintaining a viable tobacco control program dedicated to reducing the negative impact tobacco has on the health of our people.

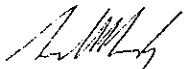
In recent years, the Hawaii Tobacco Prevention and Control Trust Fund has had its yearly allocation from the MSA cut several times from 25% to 12.5% to 6.5% today. This provides slightly more than \$2.8 million annually to the fund. This year, the fund is expected to expend \$8.3 million. At this rate, the trust fund's balance will be almost depleted in eight or nine years.

With respect to new amendments that would establish three new special funds for a Hawaii school of public health, a rural residency program, and a medical doctor loan program, we do support the eventual creation of these programs. However, we are apprehensive that tobacco trust fund moneys will be utilized in their creation. We encourage the Finance Committee to look at other sources of revenues for these endeavors, perhaps reviving several deferred measures that would have established a sugary soda tax. We would point out, that the Rudd Center at Yale University, noted that a 1¢ per ounce increase would generate \$65 million for the State of Hawaii. Double that, and revenue would increase to \$130 million. This would be more than sufficient to fund the establishment of the various special funds named in this bill.

In closing, we would add that we have grave concerns regarding the viability of tobacco control programs in the future. If these programs continue to sustain cuts, we will not have an effective tobacco control program in Hawaii.

Mahalo for the opportunity to provide comments on this measure.

Sincerely,



George S. Massengale, JD
Director of Government Relations



To: The Honorable Marcus R. Oshiro, Chair, Committee on Finance
The Honorable Marilyn B. Lee, Vice Chair, Committee on Finance
Members, House Committee on Finance
From: Trisha Y. Nakamura, Esq., Policy and Advocacy Director
Hrg: April 1, 2011 in Rm 308 at 5:00 p.m. (AGENDA #4)
Re: **Opposition to SB 239, SD 2, HD 2: Relating to the Hawai'i Tobacco Settlement
Special Fund**

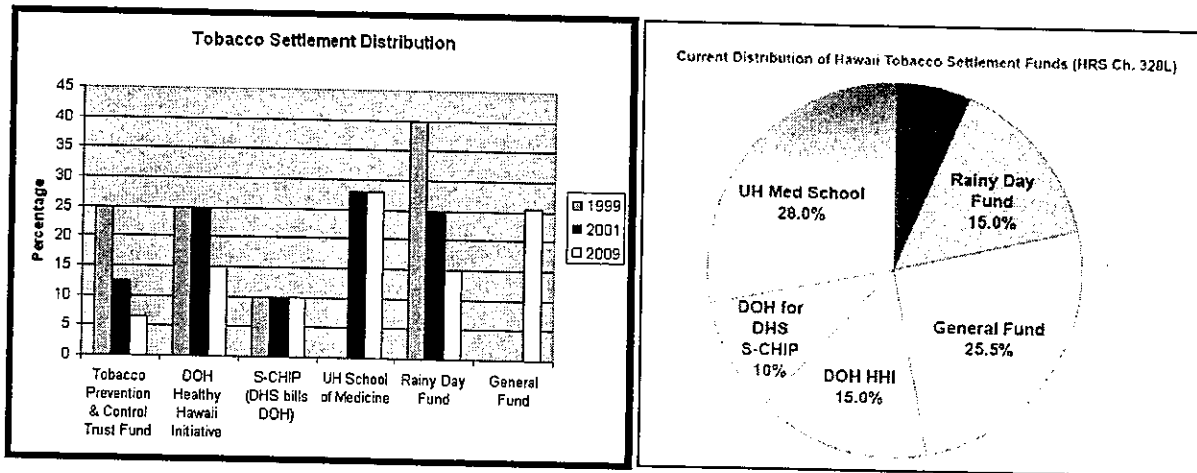
Thank you for the opportunity to provide comments regarding SB 239, SD 2, HD 2. The Coalition for a Tobacco-Free Hawai'i opposes SB 239, SD 2, HD 1 because it impacts overall funding for tobacco prevention and control which has been dramatically cut since Hawaii started receiving the funds in 1999. The Coalition does not oppose the Medical School, its Department of Public Health which would likely become the School of Public Health, the Hawaii Medical Doctor Loan Program, the hilo Medical Center Rural Interdisciplinary Residency Program or its work. Rather, we raise serious concerns about the use and erosion of Tobacco Settlement funds.

I. Hawaii's Tobacco Settlement Funds Have Been Dramatically Reduced and Must Be Returned to Tobacco Prevention

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. The Legislature in creating the Tobacco Prevention and Control Trust Fund made a committed to use Tobacco Settlement dollars to maximize and ensure long-term stable funding for tobacco prevention and control Yet only 6.5% of the Tobacco Settlement is dedicated to Tobacco Prevention and Cessation efforts.

In 2001 and 2009, the Tobacco Settlement has been redirected away from tobacco prevention efforts. The portion dedicated to funding strong prevention and quit-smoking programs has been whittled down from 25 percent to 12.5 percent to 6.5 percent. The portion of Tobacco Settlement Funds for the Trust Fund is the smallest. The Medical School receives the largest allocation of Tobacco Settlement funds: 28%. This amount has never been cut.

We are deeply concerned that the long-term viability of tobacco prevention efforts is at risk.



The Legislature granted the Medical School *temporary* use of its portion for daily operations. If the provision passed in 2007 sunsets, the excess would be returned to the Rainy Day Fund and the Hawai'i Tobacco Prevention and Control Trust Fund: more than 33% to the Trust Fund and 67% to the Rainy Day Fund.¹ **The portion that would be returned to the Trust Fund could fund 13 community programs.²**

II. Consistent Funding for Tobacco Prevention & Tobacco-Dependence Programs Saves Lives and Money.

Hawaii has made significant progress in reducing tobacco use and saving lives because of the investment in and the creation of a comprehensive tobacco prevention and control effort. Between 2002 and 2008, Hawaii saw a reduction in smoking (42,300 fewer adult smokers). This reduction saved 14,100 lives from tobacco-related deaths. And it saved an estimated \$402 million in direct medical costs, of which \$53.9 million is attributed to Medicaid costs.³ Compare the \$402 million saved to the \$58.6 million spent on tobacco prevention and control efforts from 2002-2008.⁴

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

¹ Please note that in prior testimonies for HB 1330 and SB 239, the Coalition indicated 80% would be returned to the Rainy Day Fund and 20% to the Trust Fund. This was an error; our apologies.

² Figure based on the Tobacco Settlement Special Fund ceiling set at \$50,000,000, leaving the Medical School with \$14,000,000 total. Assuming the debt service is approximately \$11,000,000; leaving 33.2% of \$3,000,000 dedicated to the Trust Fund. The 2009 community grants were approximately \$75,000/year.

³ Email from Department of Health to Coalition, citing Return on Investment Calculation from DOH Epidemiologist Tonya Lowery St. John.

⁴ Data from Campaign for Tobacco-Free Kids, "History of Funding for State Tobacco Prevention [and Control] Programs FY 2000-FY 2004" and "History of Funding for State Tobacco Prevention [and Control] Programs FY 2005- FY 2009."

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.

III. Funding Operations of the University of Hawai'i Medical School with Tobacco Settlement Moneys Is a Concern

In 2001, during special session, the Legislature redirected resources from the Tobacco Settlement for the building of the Medical School's Kaka'ako campus. 28 percent of the Tobacco Settlement was allocated to assist with paying only the debt service for the Medical School's construction.

This reduced the portion for tobacco prevention by half. In 2007, the Legislature gave the Medical School *temporary* use of the Tobacco Settlement funds for debt service and operations.

The Legislature must not continue providing the Medical School with Tobacco Settlement funds if it does not provide a clear plan in place for a financially secure future, at the expense of tobacco prevention and cessation efforts. While section 6 of the bill requires the Medical School to report annually to the Legislature, it does not require a clear financial plan to ensure this request of the Legislature will not be made once again in 2015.

We want to see tobacco control survive for the long-term. We ask that the Committee hold the measure and ensure funds are dedicated to tobacco prevention efforts.

Thank you for the opportunity to comment on this matter.

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.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 31, 2011 1:36 PM
To: FINTestimony
Cc: RWSurber@aol.com
Subject: Testimony for SB239 on 4/1/2011 5:00:00 PM

Testimony for FIN 4/1/2011 5:00:00 PM SB239

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Robert Surber
Organization: Hawaii Island Healthcare Alliance
Address:
Phone:
E-mail: RWSurber@aol.com
Submitted on: 3/31/2011

Comments:

I am writing on behalf of the Hawai'i Island Healthcare Alliance in support of SB239. The Alliance is an island wide consortium of healthcare stakeholders that includes representatives from healthcare providers, business, government, education, insurance, and advocates, as well as community members. Our mission is to improve access to quality healthcare on the Big Island and more specifically to address the causes of our healthcare crisis which includes the current and expected worsening shortage of physicians and other healthcare providers.

The Hawai'i Herald Tribune's lead article on Wednesday of this week described a national study that reported that Hawai'i County residents are the unhealthiest in the state. One of the causes of this situation is a shortage of physicians and other healthcare providers. A December 2010 report to the Hawai'i State Legislature by John A. Burns School of Medicine, entitled Hawai'i Physician Workforce, demonstrated that this shortage will increase unless immediate action is taken. Hilo Medical Center Rural Interdisciplinary Residency Program is described as one of the necessary solutions. This program is designed to train family practice physicians and other healthcare providers on the Big Island. It is well documented that healthcare providers are most likely to practice in the area where they received their training.

Therefore, we encourage you to vote yes on SB239 because it provides necessary support the development and continuation of this essential program. We understand that the challenging fiscal environment the state government is facing. However, we believe that this is a small investment that will have significant long-term benefits for the health for our community, and for the delivery of cost-effective healthcare in Hawai'i County.

Robert Surber
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