



HAWAII MEDICAL ASSOCIATION
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Friday, February 25, 2011, 9:00am, Conference Room 211

To: COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair
Senator Michelle Kidani, 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, SD1 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.

Efforts to make Hawaii a more viable place to practice Medicine continue to fail politically. The only hope that we have is to fund our Medical School.

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.

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Testimony on SB 239, 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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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 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.

Respectfully submitted,

Donald B. Weisman
Hawaii Advocacy Director



COALITION FOR A
TOBACCO-FREE HAWAI'I

To: The Honorable David Y. Ige, Chair, Committee on Ways and Means
The Honorable Michelle Kidani, Vice Chair, Committee on Ways and Means
Members, Senate Committee on Ways and Means
From: Trisha Y. Nakamura, Esq., Policy and Advocacy Director
Date: February 24, 2011
DM: WAM; February 25, 2011 in Rm 211 at 9:00 a.m.
Re: **Opposition to SB 239, SD 1: Relating to the Hawaii Tobacco Settlement Special Fund**

Thank you for the opportunity to provide comments regarding SB 239, SD 1. The Coalition for a Tobacco-Free Hawai'i opposes SB 239, SD 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 any effort to address the doctor shortage in Hawai'i or efforts to improve medical care here at home. Rather, we raise serious concerns about the use and erosion of Tobacco Settlement funds.

Hawaii's Tobacco Settlement Funds, Having Been Dramatically Reduced, Must Be Returned to Tobacco Prevention Efforts

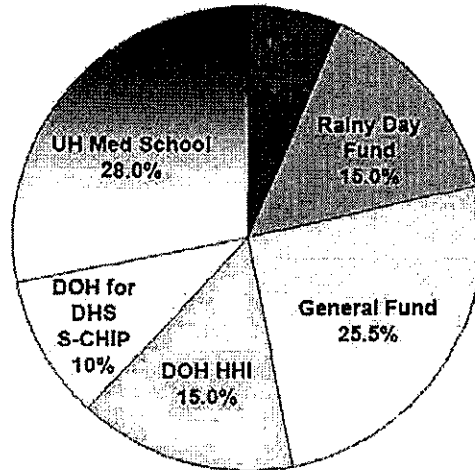
Hawai'i receives Tobacco Settlement moneys as the result of a settlement entered into between 46 states and the major tobacco companies to recover damages for tobacco-related health care costs borne by taxpayers because of the harms caused by tobacco

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 The Tobacco Settlement Special Fund was intended to maximize and ensure long-term stable funding for tobacco prevention and control, health promotion, and disease prevention.

The Tobacco Settlement has been drastically redirected away from tobacco prevention and public health 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 tobacco prevention and control is the smallest, compared to the portion for the University of Hawaii's Medical School: 6.5% compared to 28% respectively.

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/1msa.pdf> (last visited Jan 28, 2010).

Current Distribution of Hawaii Tobacco Settlement Funds (HRS Ch. 328L)



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

We've reduced tobacco use and saved lives because of the State's smart investment in tobacco prevention and control. Still, tobacco use remains a serious health issue and more work remains. Tobacco continues to kill more people than alcohol, murders, AIDS, car crashes, illegal drugs and suicides COMBINED. 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.

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 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's support of the Medical School was never intended to fund operations; and the support was meant to be temporary. If the Medical School did not use all of the moneys, remaining amounts 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 (80%) and Tobacco Prevention and Control Trust Fund (20%).

What is now funding Medical School operations that would be distributed to tobacco prevention efforts could fund 12 community grants for one year or 4 grants for 3 years. The community lost programs as a result of cuts to the Tobacco Prevention and Control Trust Fund. Our state cannot afford to have Tobacco Settlement moneys directed away from tobacco prevention efforts.

We appreciate the measure's intent to encourage the Medical School to find other sources of funding for operations by slowly decreasing the Medical School's portion one percent every year starting in FY 2012. Still, 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. 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 QUEEN'S MEDICAL CENTER

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Senator David Y. Ige, Chair
Senator Michelle Kidani, Vice Chair
COMMITTEE ON WAYS AND MEANS

February 25, 2011 – 9:00 a.m.
State Capitol, Conference Room 211

**RE: SB 239 SD1, Relating to the Hawaii Tobacco Settlement Special Fund – Request
Amendment**

Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Sharlene Tsuda, Vice President, Community Development of The Queen's Health Systems. We would like to request that this bill be amended to the original language of SB 239, 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.