

TESTIMONY

GM713

**HTH
Confirmation Hearing
03-14-2012**

From: Russell E. Johnson
Gubernatorial Nominee, Health Planning Council, Tri-Isle Subarea
501 Nipo Street
Wailuku, Hawaii 96793

To: Office of Senator Josh Green, M.D.
Hawaii State Capital, Room 222
green4@capitol.hawaii.gov

RE: Confirmation testimony statement

In response to your request for assistance in determining my qualifications for serving on the Health Planning Council, Tri-Isle Subarea, I offer the following statement in answer to the questions posed:

(1). Why do you wish to be a member of the Health Planning Council, Tri-Isle Subarea?

I recently retired as Regional CFO of Maui Memorial Medical Center. In that capacity I became intimately familiar with the challenges in delivering quality healthcare at reasonable cost while preserving access to all of Hawaii's residents. It seems clear that the more tightly we can integrate the entire continuum of health care service delivery, the better chance we have maintaining and improving overall community health and wellness at costs we can afford. SHPDA provides one mechanism for helping to tighten that integration.

With that introduction I would like to be a member for the following reasons:

- I believe in the mission and goals of SHPDA and the Council.
- Knowledge of healthcare finance is critical to good Council decision making. I bring knowledge and experience of healthcare finance that could provide valuable input into the Council's certificate of need decision process.
- I would like to stay active and make a positive contribution to my community during my retirement. Participation on the Council gives me an opportunity to employ and contribute my healthcare knowledge and analytical skills in a positive and meaningful way.

(2). How do you perceive the role and responsibilities of a member of the Health Planning Council?

I perceive my primary role on the Health Planning Council to be one of helping the State administer its Certificate of Need program by thoroughly and objectively reviewing each application and actively participating in the Council's recommendation process according to the CON rules.

Secondarily, I view my role as becoming as familiar with the healthcare activities and needs of Maui County so as to be prepared to participate effectively in any healthcare planning roles undertaken by the Council.

(3). Why do you believe you are qualified for the position?

I believe the goal is to ensure the Council's recommendations not only contribute to better community health care but contribute to the community receiving better value from the healthcare dollars spent.

As noted in question (1) my primary qualification for the position is my seven year experience of trying to improve healthcare delivery while at the same time trying to control cost as CFO of Maui Memorial Medical Center. I understand well the difficult decisions that must sometimes be made between improved care and increased costs. The Council has members with a variety of backgrounds. Many have clinical backgrounds. When not directly financially impacted, it is natural for healthcare providers to give greater weight to healthcare improvement benefit arguments than cost of care arguments. I believe I would be able to contribute financial analysis and make sure that the financial impact and value impacts of the Council's decisions have been considered along with the care improvement impact.

I have previously participated in the CON process. Some of the expertise I could contribute to CON reviews would be to provide an experienced review of:

- Project cost projections
- Utilization projections
- Impact of project on other providers
- Service reimbursement (revenue) projections
- Operational cost projections including administrative and labor cost projections
- Financial projection errors and omissions

(4). What do you hope to accomplish during your term of service?

As an advisory body The Health Planning Council role in State health care planning is somewhat limited. First, I would hope to contribute to a more disciplined objective analytical approach to the CON and planning review process. Secondly, along with the Council, I would hope to gain a comprehensive understanding of all the various healthcare services provided within the County. With that knowledge I would hope that the Council could contribute to a more formal and comprehensive County healthcare planning process. I would also hope that the council could encourage providers to find ways of filling gaps in community healthcare needs and better coordinating care.

(5) Name three qualities that describe you and that would make you stand out. How would these qualities benefit the Healthcare Planning Council?

The three key qualities I would list are:

- Relationship management skills – When working with a group you must be attuned to the emotions of the other members of the group. The ability to direct the discussion to manage conflict so, as a group, both reason and emotion can be applied to the decision making process in a balanced productive way is essential.

Relationship management requires emotional stability, along with self confidence leavened by self control and patience. It also requires a degree of agreeableness, a helpful cheerful attitude and an ability to get along with others.

- Intellectually curious – I am interested in learning new things. Intellectual curiosity implies an open mindedness and a willingness to listen to other points of view.
- Competence – Competence requires a commitment to the group along with a commitment for getting things done on time in a capable way.

By demonstrating these three qualities I believe I could help foster a culture within the Healthcare Planning Counsel that values an open minded fair approach to all decisions and discussions, consensus and conscientiousness.

(6). Name a previous experience that would make you standout. How would this benefit the Health Planning Council, Tri Isle Sub area?

Several years ago I participated in the CON application process for a second acute care hospital for Maui. During that process I conducted a detailed analysis of that application covering the bullet points detailed in question 3. The analysis was based on my knowledge MMMC hospital data and my knowledge of the acute care hospital environment in Maui County. This analysis led to two separate written testimony submissions. The first detailed the degree to which financial projections made by the petitioners were wildly inaccurate and could not be relied on as a basis for reaching a decision on the application. The second submission detailed the devastating impact a second hospital would have on the viability of MMMC.

Because the mission and values of the petitioning organization and MMMC were so different, any partnership or joint effort had no long run hope for success. The application was disapproved by SHPDA.

To this day, I do not believe that the second hospital would ever have been built had the application been approved. But, given the evolution of healthcare over the intervening period, I am more convinced than ever that had the second hospital been approved and built, Maui would now have two failed or failing hospitals, neither with the financial viability or patient volumes to be able to provide the specialty care Maui residents expect. SHPDA decisions have consequences.

Much later, I was shocked to learn that SHPDA has little ability to analyze and verify that the data in the applications under consideration are at least plausible. They must rely on the application as written and on the testimony of others. I see significant value in having Council members that can knowledgably question the data gathering and presentation process and perform some independent analysis to confirm the reasonableness of the application data on which CON decisions are based. I can provide that expertise.

(7). Can you foresee any possible conflicts of interest that could arise during your service on the Healthcare Planning Council, Tri-Isle Subarea? How would you over come any possible conflicts of interest?

Not at this time.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

Senate Committee on Health

**GM 713, Gubernatorial Nominee to the Health Planning Council
Tri-Isle Subarea**

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**Wednesday, March 14, 2012
1:30 p.m.**

1 **Department's Position:** The Department of Health supports the nomination and confirmation
2 of Russell Johnson to the Tri-Isle Subarea Health Planning Council.

3 **Fiscal Implications:** None

4 **Purpose and Justification:** The purpose is for the consideration and confirmation to the Tri-
5 Isle Subarea Health Planning Council (TISAC), Gubernatorial Nominee, Russell Johnson.
6 Mr. Johnson, CPA, has extensive experience in accounting and administrative management.
7 He is currently the Regional Chief Financial Officer of the Maui Memorial Medical Center. Prior
8 to this, he was Division Controller of Kapalua Land Company, Ltd.; Accounting Manager at
9 Wailea Resort Company, Ltd.; and accountant at Aus CPAs and H & R Block. Mr. Johnson is
10 also active in the community, serving on the County of Maui Salary Commission; County of
11 Maui Cost of Government Commissions, Makawao School PTA, and Big Brothers/Big Sisters.

12 We ask for your support on the confirmation of Russell Johnson, enabling him to
13 continue to serve on the Tri-Isle Subarea Health Planning Council.