

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



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

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

In reply, please refer to:
File:

House Committee on Health

H.B. 714, Relating to Health Planning

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

Friday, February 11, 2011
9:00 a.m.

- 1 **Department's Position:** While the Department appreciates the intent of the Bill, the
- 2 Department is opposed as currently written.
- 3 **Fiscal Implications:** Unknown
- 4 **Purpose and Justification:** The current and previous State Health Plans both provide for
- 5 limited consideration of competition when considering a Certificate of Need (CON) application.
- 6 The State health Plan is the responsibility of the Statewide Health Coordinating Council
- 7 (SHCC) and is developed with input from local health care providers. The current State Health
- 8 Services and Facilities Plan allows for consideration of competition under limited
- 9 circumstances. Specifically, when competition may contribute to improve quality of care or
- 10 reduce cost of a specific service to the public, it may be taken into consideration provided that
- 11 the benefits outweigh any potential negative impact on the health care system. The
- 12 Department of Health believes that it is important to maintain such limited consideration of
- 13 competition and does not serve the best interest of the citizens of Hawaii to eliminate this
- 14 provision.



THE QUEEN'S MEDICAL CENTER

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

Representative Ryan I. Yamane, Chair
Representative Dee Morikawa, Vice Chair
COMMITTEE ON HEALTH

February 11, 2011 – 9:00 a.m.
State Capitol, Conference Room 329

In Support of HB 714, Relating to Health Planning

Chair Yamane, Vice Chair Morikawa and Members of the Committee:

My name is Mark Yamakawa, Executive VP and Chief Operating Officer for The Queen's Health Systems and The Queen's Medical Center. I am testifying for Queen's in support of HB 714, which requires that the state health services and facilities plan be adopted in accordance with the rulemaking procedures of chapter 91, HRS, and establishes criteria for the plan.

Queen's is the largest private tertiary care hospital in the State of Hawaii. We offer specialized care in the areas of cardiology, oncology, orthopedics, neuroscience, behavioral health, women's health, emergency and trauma. Our emergency department is the largest and busiest in the State, with over 50,000 visits a year. As the heart of the State's trauma care system, we serve the needs of our community and visitor population, often receiving patient transfers from other hospitals across the State and the Pacific. Queen's provides emergency care to all patients who are ill or injured – regardless of their insurance status, or ability to pay.

Passage of this measure will strengthen the CON process by clarifying the criteria and standards to be utilized for achieving the state health services and facilities plan. As Hawaii and the nation focus on the challenge of creating a sustainable, value-based healthcare system, the importance of a strong CON process becomes increasingly vital.

We respectfully ask for your support and approval of HB 714 and thank you for the opportunity to testify.

Testimony of
Joan YN Danieley
Vice President, Health Plan Administration

Before:
House Committee on Health
The Honorable Ryan I. Yamane, Chair
The Honorable Dee Morikawa, Vice Chair

February 11, 2011
9:00am
Conference Room 329

Re: HB714 Relating to health planning.

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 714 that would remove competition as one of the elements reviewed in the state health services and facilities plan.

Kaiser Permanente Hawaii opposes this bill.

HRS §323D-1 states that the purpose of the State Health Planning and Development Agency (SHPDA) is “to promote accessibility for all the people of the State to quality health care services at reasonable cost.” The plan developed by SHPDA is to ensure the most economical and efficient system of care commensurate with adequate quality of care. HRS §323D-15. This attempt to eliminate competition as a means of achieving accessibility to quality care at a reasonable cost will frustrate the very purpose of the statute. It is also inconsistent with the quality initiatives embedded in national health reform as set forth in the Affordable Care Act.

Furthermore, both the intent and language of HB 714 are contrary to the strong public policy upon which our state and federal anti-trust laws are based. There are instances where competition is the most economical and efficient method of promoting quality care at a reasonable cost. In those instances, prohibiting SHPDA from considering the benefits of competition will deny the people of Hawaii the very thing that SHPDA is charged with ensuring we have, access to quality care at a reasonable cost.

The Hawaii Health Performance Plan was researched and developed by a cross section of professionals from Hawaii’s major health care organizations, individual clinicians, and consumers statewide. Over 300 people collaborated to develop the plan, including planning councils at the grassroots level. This bill will undo the gains achieved through the hard work and collective wisdom of this statewide health care constituency and create barriers to achieving the goals of SHPDA.

For these reasons, we urge that you hold this bill. Thank you for the opportunity to comment.

morikawa2 - Grant

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 10, 2011 3:38 PM
To: HLTtestimony
Cc: jyadao@stfrancishawaii.org
Subject: Testimony for HB714 on 2/11/2011 9:00:00 AM

Testimony for HLT 2/11/2011 9:00:00 AM HB714

Conference room: 329
Testifier position: support
Testifier will be present: Yes
Submitted by: Joy Yadao
Organization: St Francis Healthcare System of Hawaii
Address:
Phone:
E-mail: jyadao@stfrancishawaii.org
Submitted on: 2/10/2011

Comments:

Testimony to the
House Committee on Health

February 11, 2011
9:00 am
Room 329, Hawaii State Capitol

House Bill 714 – Relating to Health Planning

Good morning Chair Yamane, Vice Chair Morikawa and members of the House Committee on Health. My name is Marilyn A. Matsunaga and I served the public as SHPDA administrator from 1995 to 2003, the term limit as provided for in law.

I am here to testify in **STRONG SUPPORT** of HB 714. This bill seeks to make more objective the regulation of the health care industry by requiring that clear standards and methods for calculating needs are established in the state health services and facilities plan.

Health care services and facilities are an important public utility. They are as essential to a community as are water and electricity.

Because it is so vital, the community is involved in the development of its plan and of its regulation – much like other public utilities.

The history of certificate of need regulations spans back to the early 1950's. In respect of time, here is a brief synopsis from the National Conference of State Legislatures which says that the "basic assumption underlying CON regulation is that excess capacity (in the form of facility overbuilding) directly results in health care price inflation." So for example, "(w)hen a hospital cannot fill its beds, fixed costs must be met through higher charges for the beds that are used. Bigger institutions have bigger costs, so CON supporters say it makes sense to limit facilities to building only enough capacity to meet actual needs...CON programs originated to regulate the number of beds in hospitals and nursing homes, and to prevent overbuying of expensive equipment...The idea was that new or improved facilities or equipment would be approved based only on a genuine need in a community. Statutory criteria often were created to help planning agencies decide what was necessary for a given location."

When excess capacity is created then such excess "bricks and mortar" results in higher health care costs. For example, the Wall Street Journal states: "(t)he auto executives argued that in states without regulation, more medical facilities have brought more medical procedures and higher costs, borne largely by employers... somebody has to pay for those bricks and mortar."

The notion of “competition” was never a part of our nation’s reason why certificate of need programs were established. The CON process is about capacity of our health care system and avoiding expensive excess capacity. The CON is about regulating our public utility of health care. If the creation of competition in and of itself becomes a CON criteria, then it will blur and weaken our communities abilities to ensure access to quality care at reasonable cost. Such unfettered competition – a wild west style free market – in the area of health care services leads to a maldistribution of resources with providers flocking to the populated, wealthy areas while seemingly abandoning the needs of the more rural and less advantaged populations which results in less access and lower quality of care.

It is also important to bring objective, clear and generally accepted standards to how capacity and excess capacity are determined. The methodology, data sources, projection formulas, and related calculations used to determine “need” has to be clearly set forth. The discussions which identify and ultimately select Hawaii’s standards must all be open to the public because these discussions will create the foundation for the state’s health services and facilities plan as per statute.

Hawaii has a wealth of community volunteers and healthcare professionals who have served SHPDA since 1974. Their work is greatly valued. And in respect and honor of their dedication it is incumbent on the State to provide increased clarity, strength and heightened objectivity to the regulatory process they so cherish.

Thank you for your gracious attention to my testimony.