



HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES
The Honorable John M. Mizuno, Chair
The Honorable Bertrand Kobayashi, Vice Chair

**H.C.R. NO. 3, REQUESTING THE AUDITOR TO CONDUCT A STUDY
OF THE RELEVANCY OF THE CERTIFICATE OF NEED PROCESS
UNDER CHAPTER 323D, HAWAII REVISED STATUTES**

Hearing: Thursday, March 8, 2018, 9:30 a.m.

The Office of the Auditor **has no position** regarding H.C.R. No. 3, which requires us to conduct a study of the relevancy of the Certificate of Need (CON) process under Chapter 323D, Hawai'i Revised Statutes (HRS). **However, we offer the following comments.**

H.C.R. No. 3 requires us to conduct a study of the relevancy of the CON process under Chapter 323D, HRS, with respect to:

- (1) The role of the CON Program;
- (2) The effects of the CON law on:
 - (A) Improving the health of residents within a health service area;
 - (B) Increasing the accessibility and quality of health services;
 - (C) Containing health care costs;
 - (D) Preventing unnecessary duplication of health services; and
- (3) Whether certain facilities, types of facilities, or services should be exempt from the CON process.

The resolution also requires us to report our findings and recommendations, including a recommendation to eliminate or modify the CON process, to the Legislature no later than twenty (20) days before the 2019 legislative session.

Our Office generally conducts performance/management and financial audits. Studies of this nature are not part of the typical work we perform. Furthermore, the study requested may be beyond our expertise and require us to procure a consultant to assist us in performing the study.

Thank you for considering our testimony regarding H.C.R. No. 3.



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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To: The House Committee on Health and Human Services

HCR 3, Request the Auditor to Conduct a Study of the Relevancy of the Certificate of Need Process Under Chapter 323D, Hawaii Revised Statutes
Representative John Mizuno, Chair and Representative Bertrand Kobayashi, Vice Chair
March 7, 2018, State Capitol, Conference Room 312

From: Romala Sue Radcliffe, Administrator State Health Planning & Development Agency

Agency's Position: Opposed

Dear Chair Mizuno, Vice Chair Kobayashi, and members of the House Committee on Health and Human Services

Thank you for the opportunity to testify in opposition to HCR 3.

Nationally, the Certificate of Need (CON) law's usefulness is often debated and many studies have been undertaken. In 2004, the big three automakers all compared costs in CON vs non-CON states, and found that states with substantial CON programs had significantly lower health care costs. Chrysler found that their per-employee health care costs were substantially lower in CON states than in non-CON jurisdictions, with costs as much as 164% lower in CON states. GM found its health care costs were nearly a third less in CON states in a similar analysis.

In 2009, the big three auto makers also did a study that found that the cost per covered life for CT scans was 67% higher in states without CON due to higher utilization and cost per scan and the cost per covered life for MRI was 20% higher in non-CON states. A 2002 study published in JAMA found that the quality of outcomes in coronary artery bypass surgery was directly linked to the CON process.

Most of the other states criticize their CON process for being too cumbersome. In Hawaii in 2015, the average CON processing time was 27 days from the date the applicant submitted their complete application to the date the of the Agency's decision.

Since the passing of ACT 139 in 2016, the State Health Planning and Development Agency (SHPDA) has worked closely with the Department of Human Services, the Hawaii Employee-Union Health Benefits Trust Fund, the Department of Commerce and Consumer Affairs' Insurance Division, the Department of Budget and Finance, the Attorney General Office and the University of Hawaii to create the foundation/ rules/ momentum to build an "all payer claims data warehouse". The APCD collection of healthcare claims reports will enhance the Certificate of Need applicants with their understanding of Hawaii's historical healthcare costs, population health conditions, and healthcare disparities. Once the claims data is analyzed, SHPDA will begin to conduct studies regarding the causes of healthcare costs. These reports will shape future health policies and purchases. The CON process along with analyzed healthcare cost data will help the state with our goal to reduce overall state-funded healthcare costs.

The Agency supports the certificate of need process and we believe in the CON's effectiveness.

The Hawaii CON process serves as an essential check and balance on market forces.

Your denial of this resolution is greatly appreciated.

HCR-3

Submitted on: 3/6/2018 3:30:21 PM

Testimony for HHS on 3/8/2018 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	OCC Legislative Priorities Committee, Democratic Party of Hawai'i	Support	No

Comments:

PRESENTATION OF THE
OAHU COUNTY COMMITTEE ON LEGISLATIVE PRIORITIES
DEMOCRATIC PARTY OF HAWAII
TO THE COMMITTEE ON HEALTH & HUMAN SERVICES
THE HOUSE OF REPRESENTATIVES
TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2018
Thursday, March 8, 2018
9:30 a.m.

Hawaii State Capitol, Conference Room 312

RE: Testimony in Support of HCR3

To the Honorable John M. Mizuno, Chair; the Honorable Bertrand Kobayashi, Vice-Chair and the Members of the Committee on Health and Human Services:

Good morning, my name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") Legislative Priorities Committee of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on HCR3 relating to REQUESTING THE AUDITOR TO CONDUCT A STUDY OF THE RELEVANCY OF THE CERTIFICATE OF NEED PROCESS UNDER CHAPTER 323D, HAWAII REVISED STATUTES.

The OCC Legislative Priorities Committee is in favor of HCR3 and supports its passage.

HCR3 is in alignment with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it requires Auditor to conduct a study of the relevancy of the Certificate of Need (CON) program under Chapter 323D, Hawaii Revised Statutes, with respect to: (1) The role of the CON Program; (2) The effects of the CON law on: (A) Improving the health of residents within a health service area; (B) Increasing the accessibility and quality of health services; (C) Containing health care costs; and (D) Preventing unnecessary duplication of health services; and (3) Whether certain facilities, types of facilities, or services should be exempt from the CON process.

Specifically, the Platform of the Democratic Party of Hawai'i provides that "[a]ccess to health care is a basic human need. Our citizens and visitors have an

inherent right to high quality, high standard health care. The state legislature and the federal government should take all appropriate steps to create and support a health care system of public, for-profit, and nonprofit hospitals and other medical facilities that follow best practices to enhance and protect and preserve life." (Platform of the DPH, P. 7, Lines 361-364 (2016)).

Given that HCR3 requires the Auditor to conduct a study of the relevancy of the Certificate of Need programs under Chapter 323D, Hawaii Revised Statutes, it is the position of the OCC Legislative Priorities Committee to support this measure.

Thank you very much for your kind consideration.

Sincerely yours,

/s/ Melodie Aduja

Melodie Aduja, Chair, OCC Legislative Priorities Committee

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