



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
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LATE

HB 1069 HD1 – RELATING TO THE HAWAII CANCER RESEARCH SPECIAL FUND

Chair Luke, Vice Chair Cullen, and members of the Committee:

The University of Hawai'i Cancer Center supports this bill which represents an administrative change with no impact on the public.

The purpose of this Act is to change the semi-annual reporting requirement to the legislature on the moneys in the Hawai'i Cancer Research Special Fund to an annual report. Annual reporting will reduce the administrative burden of creating the report twice a year, while maintaining legislative oversight equivalent to similar Hawai'i special funds.

When this special fund was created in 2006, there were many uncertainties which may have made semi-annual reporting necessary for oversight. With a building in place since 2013, and Cancer Center financial stability obtained over the past three years, annual reporting should now be sufficient for legislative oversight.

Thank you for the opportunity to provide testimony in support of this proposed legislation.

LATE

Dear Committee Members,

Given the University of Hawai'i at Mānoa Cancer Research Center (UHCC)'s history of financial waste and abuse under former Director Dr. Michele Carbone, there is absolutely no reason to loosen financial reporting requirements for this unit. Semi-annual reporting is not that burdensome to begin with, and I think we should continue to keep a close watch on how money is being spent in a unit with such a troubled past.

One of the best illustrations of this waste involves Dr. Carbone spending \$700,000 of taxpayer dollars to build a state-of-the-art kitchen within the cancer center building in order to host a television show about healthy eating—which he subsequently canceled anyway.

An [internal report](#) on the UHCC under Carbone revealed gross mismanagement of the institution by a corrupt unit director who squandered literally billions of taxpayer dollars over the course of his tenure.

Carbone was asked to [resign](#) as director in November of 2014 after the evidence of this [gross mismanagement](#) was publicized, as well as evidence that Carbone was at the center of the [power struggle](#) that led to the controversial decision by the Board of Regents to remove former Mānoa Chancellor Tom Apple.

Dr. Carbone also failed to disclose significant financial conflicts of interest to either the university or the National Institute of Health (NIH).

A deposition from an asbestos litigation (*Antonio Perez vs. ArvinMeritor, Inc., et al.*), obtained from the Kazan law firm in California, shows that Dr. Carbone admitted, under oath, to failing to disclose either his half-million dollar additional annual income from expert testimonies in asbestos litigations, or the multi-million donation he received for his genetic research on mesothelioma (cancer of the lining of the lungs caused by asbestos exposure) from a Fortune 100 company involved in ongoing asbestos litigations.

This income was collected during Dr. Carbone's tenure as director of the UHCC (2009–14) and as a faculty member (2006–8 and 2013–present). Neglecting to disclose these significant financial relationships constitutes a serious violation of UH rules and federal [NIH regulations](#) on financial conflicts of interest. Carbone's decision to hide his additional sources of income potentially exposed UH to devastating penalties, including the shut-down of the (at the time) \$400 million federally-funded research conducted at the UHCC.

In his deposition, Dr. Carbone admits to having received over 5 million dollars in consultant fees from asbestos companies for their asbestos-mesothelioma litigations over nearly two decades. He also admits that he has never disclosed these relationships. In addition, in 2010 he sought and received for his research \$4.3 million in gifts from Honeywell, a construction materials company involved in ongoing asbestos litigations. The company made its donation to Dr.

Carbone's research under the cover of anonymity through the University of Hawai'i Foundation. The entire deposition can be read [here](#).

One of the "accomplishments" often [ascribed](#) to Carbone by legislative friends like former Senator Josh Green is that he was the one who successfully moved UHCC from its humble downtown beginnings to its current world-class facility on prime Kaka'ako waterfront land.

Yet, as the internal report points out, "Shortly after its expansion, UHCC began draining its financial reserves at an alarming rate as mortgage payments and operational costs began to outweigh its current funding and revenue streams—primarily funds from the state's cigarette tax and return of overhead from external funding."

Dr. Carbone racked up more faculty grievances in six years (25) than any other UH unit ever and UHCC lost some of its best researchers over these grievances. Carbone failed time and again to replace them with competent principal investigators, threatening the renewal of center's National Cancer Institute (NCI) designation and accompanying federal P30 grant.

According to the internal report: "The fiscal solvency of UHCC was also severely impacted by the loss of senior faculty over the past four years along with their extramural funding. Recovering from these losses is a major obstacle to the future success of the Center."

UHCC operates within the Hawai'i Cancer Consortium, a private business interest collaboration between Hawai'i Pacific Health, The Queen's Medical Center, Kuakini Health System and the John A. Burns School of Medicine (JABSOM). Earlier in the summer of 2014, I also [reported](#) that members of this consortium—including Art Ushijima, CEO of Queens Hospital, and venture capitalist and part-time Hawai'i resident Barry Weinman, along with former UH Board of Regents (BOR) Chair John Holtzman and JABSOM Dean Jerris Hedges—directly meddled in UH Mānoa's campus budget affairs during a time in which former Chancellor Tom Apple was trying to stabilize the campus's finances.

These players managed to strong arm Chancellor Apple into releasing \$9–10 million in order to hire 16–25 new UHCC faculty over the next two years at salaries that would average in at close to \$400,000. The reasoning was that without new hires to diversify its research, UHCC could lose its federal National Cancer Institute (NCI) designation and P30 grant funding from the Office of Cancer Centers.

However, faculty members at the UHCC that I interviewed in 2014 told me that Carbone already had a record of being completely incapable of recruiting good researchers—and that there was no clear indication that he would be able to do any better in the ensuing three years. Instead, Carbone should have been fired to make room for a new director with experience. As far as I know, Dr. Carbone is still a faculty member at UH earning the same six figure salary he earned as director.

“[Without Carbone, UHCC] would have had an additional two or three years to rebuild the center and be competitive before having to worry about renewing our designation,” explained one faculty member. “But now it is absolutely certain that [the NIC] is not going to be renewed at this point; that is a pipe-dream.”

The \$9–10 million extorted by Carbone’s allies forced Chancellor Apple to institute an unpopular hiring freeze on the rest of the Mānoa campus and, I argue, helped precipitate the overall budget crisis in 2014–15 that trickled down and [hit students hard](#). Apple had been trying to remove Carbone and reform UHCC since he was first appointed chancellor. Apple was also trying to reorganize Mānoa units to be more equitable, which meant taking funding from JABSOM and Dean Hedges.

Instead, the freeze made Apple vulnerable to criticism from deans like Hedges and directors like Carbone, who leveraged their powerful friends in the BOR to pressure UH System President David Lassner—whom many believe was appointed because of his willingness to go along with such requests—to fire Apple. Their meddling cost UH an important leader who was [widely respected](#) by faculty and students, sowed discord between different units and worsened the financial situation at Mānoa.

The report’s primary conclusion is that, “After considerable comparisons with other consortium-type operating cancer centers across the country, the UHCC Review Task Force identified that the adopted business model for UHCC is flawed and incomplete, thus nullifying the center’s ability to achieve its much-anticipated benefits. The reliance on Consortium partners for clinical trials is ineffective, and employing research and specialist-type faculty (PhDs) rather than qualified research/clinical practitioners further complicates the problem.”

The report continues: “To move UHCC forward, there must be improved leadership and a return to faculty governance. The UHCC, formerly known as the Cancer Research Center of Hawai’i, received its NCI designation in 1996 and ran well for decades on a modest budget with strong faculty who maintained grant funding. To reestablish UHCC as a crown jewel of UH Mānoa and the state of Hawai’i, it will require excellent, transparent, and equitable management that follows the laws and policies that govern it.”

Given this serious track record of mismanagement and financial waste, I am of the opinion that there should be more transparency of reporting from the UHCC, not less. I also think that powerful political players should stop meddling in UH affairs because they invariably make things worse for faculty and students in so doing.

Tight political control over the university and regent incompetence combine to stifle progress at the university. Any time a leader like Tom Apple comes along and actually tries to tackle the problems caused by the university’s top-heavy, wasteful and, often, downright nepotistic administration, the administrators and unit directors who have been lining their pockets under the status quo call in powerful friends—just like Dean Hedges and Michele Carbone did—to throw that leader under the bus.

Mahalo for the opportunity to testify.