



HANNEMANN | CHANG PLATFORM

HEALTHCARE “O Ka Mea Ma’I Ka Mua”

Putting the Patient First

Key Messages

- Celebrate the Strengths of Hawaii’s Medical Ecosystem
- Save the Public Hospitals
- Double the Number of New Doctors
- Address Health Disparities
- Opt Out of the Hawaii Health Connector
- Embrace Patient Centered Health

Overview

The healthcare industry is the largest sector of our national economy accounting for about 18% of GDP. It is undergoing structural change driven by demographic changes, medical advances, technology and questions about access and affordability.

Hawaii is not immune to these developments but we are blessed in that we have almost universal health insurance, thanks to the visionary Hawaii Prepaid Health Care Act of 1974. We have major hospitals and a medical school of which we can be justifiably proud. These are great foundations on which we can build.

We are dedicated to the development of patient focused medical services that deliver better health outcomes for all at a sustainable cost.

We have every opportunity to lead the way nationally and attract patients throughout the Pacific-Asia region. We have an Aloha spirit, and there is no better example than medical services of the non-profit, private and public sectors working together, finding common purpose for common good.

By putting the patient first, change will come easier to us. The people of Hawaii will have more enjoyable lives and live longer. That is our aspiration, and one we can all share.

Health Indicators

Hawaii's medical system is producing excellent results.

America's Health Rankings (United Health Foundation) shows:

- We have the best access to medical care in the country
- We rank first in all medical outcomes, and second in cancer and cardiovascular deaths. We have high immunization coverage and low rates of smoking and preventable hospitalizations.
- Our healthcare costs are among the lowest in the country

Our leading medical centers stand alongside the best in the nation, providing top quality patient care and setting the pace in innovation, operating efficiency and technology adoption.

We should all celebrate these notable achievements.

We do however have a number of challenges. The most urgent are:

- The vulnerability of our public hospitals
- An acute shortage of doctors
- Significant health disparities

Save Public Hospitals

Hawaii Health Systems Corporation (HHSC) was established in 1966 and is responsible for our public hospitals. It operates 12 facilities that provide essential services to local communities, particularly in Hawaii, Maui and Kauai.

There is however a growing public concern about the operational and financial viability of HSSC. Since it was established the challenges of running small hospitals as independent entities has grown. And the cost of public subsidies is now very high.

According to its own financial statements, HSSC had an operating loss last year of \$164 million. Its unfunded liabilities to retirees are \$267 million. It has long-term debts and other long-term liabilities of \$125 million, of which \$36 million is owed to the State of Hawaii. How will these be paid? Moreover, expenses are rising faster than revenues. Losses are getting bigger year by year. If HHSC were a privately owned company it would be bankrupt.

Every now and again a public hospital gets into financial difficulties. If the State declines to provide further subsidies the hospital will fail. If the State provides emergency funding, it asks for marginal efficiencies to buy time. The underlying problem is not solved.

Over the past two years there has been a sustained effort by the non-profit sector to secure a more robust legislative framework for public / non-profit partnerships to align their strengths. Unfortunately this well-intentioned attempt has failed. The Democratic majority in the Legislature, bowing to pressures within the party, has failed to act.

Given the policy vacuum, it is likely that the ad hoc process of consolidation and closures will proceed.

We believe the best way the quality of care of public hospitals can be preserved and enhanced on a sustainable basis is if they join forces with larger, well-managed, financially secure non-profit or other medical systems.

Our leading non-profit medical systems like Hawaii Pacific and Queen's Health have a long history of community-based care and a mission to serve all. Kaiser Permanente is another well-regarded system that serves a large community in Oahu, Maui and the Big Island. All will be invited to participate in the revitalization of our public hospitals, as well as private hospital groups from the mainland as necessary. Local Hospital Boards will be established to reinforce local identity and accountability.

Our goal is to secure the best possible partners to deliver the best possible care.

Discussions are already taking place between Maui Memorial Medical Center (MMMC) and Hawaii Pacific Health and other medical groups. We would support such combinations, as they would secure the wellbeing of MMMC patients.

What may transpire at Hilo Medical Center and Kona Community Hospital is less clear. Queen's and Kaiser both have an important presence on the Big Island and we would support combinations with public hospitals if they believe it would be in the best interest of the patients.

Small non-profit hospitals face the same challenges as public hospitals, that is a lack of scale and an insufficient cash flow to invest in new facilities, new medical equipment and higher standards of care. St. Francis in Oahu is a poignant case. The Liliha and Ewa hospitals were acquired in 2007 by Hawaii Medical Center. The

following year HMC filed for bankruptcy protection and the hospitals closed. More recently, Wahiawa General Hospital is said to be looking for a partner.

In our view, Public /Non-Profit Partnerships and Public/Private Partnerships should not be feared. They promise significant benefits.

Consider the following examples:

1. Wilcox Health in Kauai, the former Wilcox Memorial Hospital, was a founding member of Hawaii Pacific Health in 2001. It has gone from strength to strength. Its patients are better served and its future is secure.
2. Queen's Medical Center West Oahu, the former St. Francis Hospital in Ewa, was reopened in May this year. Queen's has invested \$100 million in upgrading the hospital, adding more beds, doubling ER capacity and implementing the latest medical technology.
3. North Hawaii Community Hospital in the Big Island recently combined with Queen's, securing its future and promising better care for its patients.

To those who resist change, we would note that successful hospitals employ more personnel than weak ones.

To allow HSSC to continue as it is would be a disservice to our local communities. A failed hospital is of no use to anyone. A hospital on life support cannot provide the highest levels of care. And unlimited public subsidies to maintain outdated business models are a fantasy.

We will save our public hospitals by putting them in safe hands.

Double the Number of New Doctors

We have an acute shortage of physicians that will soon undermine our health care system if we do not address it. The Legislature and successive Governors have failed to address this fundamental threat to the health of our population.

Currently Hawaii has about 2,900 practicing physicians, 750 less than the required complement of 3,650. This means one in five doctor positions are empty, and this impacts all forms of care, from primary to specialties.

The J. A. Burns School of Medicine (JABSOM) only produces 66 new doctors annually. That is fewer than the number of doctors who retire or leave for the mainland each year. So the problem is growing. In fact, given the rapid aging of our population and that one third of our doctors are approaching retirement, the deficit is expected to be just under 1500 doctors by 2020.

A third or more of doctor positions in Hawaii will be unfilled in just five years time. This is intolerable.

How could such a situation be allowed to develop? Through a lack of leadership. The Legislature, successive Administrations and the University of Hawaii have failed to invest in medical education. They have other priorities. Yet cutting back on doctors is a false economy. Medical care is more expensive when people do not have access to doctors, and emergency room treatment is a very expensive.

We will insist that JABSOM is given the resources, faculty and buildings, it needs to double its education and training capacity.

There is much to do. We will apply for matching Federal funds for graduate medical education. We will work with other key institutions such as Hawaii Pacific Health and The Queen's Health Systems to increase primary care residency positions. We will support the efforts being made by UHH, the College of Pharmacy and Hilo Medical Center Foundation to run its first cohort of resident physicians on a Neighbor Isle. We will create incentives to lower doctor attrition rates and promote the use of nurse practitioners and physician's assistants where appropriate. These are all urgent matters requiring immediate action.

We will also review the governance structure of JABSOM and consider whether its relationship to the University of Hawaii System needs to be redefined. Leading medical schools in other parts of the country have their own Boards of Trustees and are much less subject to politics and bureaucracy. Such an approach would be more likely to attract philanthropic support and would provide a much higher level of transparency and accountability.

The Medical School plays a critical role in our medical ecosystem. We shall fight to ensure it has the resources to do its job, and remain a leader in medical research and education.

Address Health Disparities

The incidence of chronic and persistent health conditions is not uniformly distributed among our population. Those with low levels of educational attainment and low incomes are especially at risk. And for a whole complex of reasons, so are Native Hawaiians and other Pacific Islanders.

Consider the following:

- Obesity. 250,000 adults in Hawaii are obese. Obesity is highly correlated with diabetes, cardiac disease and other potentially fatal chronic conditions. 51% of Native Hawaiians are obese, 17% of those of Asian descent.

- Diabetes. 81,000 adults have diabetes. For those with less than a high school education the incidence is 15%, for college graduates 5%.

The educational challenge is particularly important because we have a low high school graduation rate. We rank 39th as a state, with only 75% of ninth graders graduating four years later. The number one state has a graduation rate of 91%.

To tackle these disparities we will promote prevention as well as treatment. We need to engage, counsel, educate and motivate those most at risk. And we will need high levels of co-operation between multiple stakeholders: the patients themselves, health care providers, hospitals, government agencies, non-profit groups, the churches and others. Nowhere is this more the case than the homeless, whose challenges and needs are multiple.

The encouraging news is that leaders in our community are beginning to address health disparities in a thoughtful and systematic way. To take just one example, the Board of Education, the University of Hawaii and Hawaii Pacific Health are working together on a major project to understand exactly how socio-economic factors impact health outcomes and how our educational, support and clinical practices may need to be adjusted. JABSOM is also engaged in critical research on health disparities, the function of genes and the influence of social and economic factors. The Department of Native Hawaiian Health, the Native Hawaiian Center of Excellence and the Imi Ho'ola Post-Baccalaureate Program are essential resources in this endeavor.

We are fully committed to health equity, the attainment of the highest level of health for all people.

We will support and encourage the initiatives that are already underway, learning as we go. We will play our part in reaching out to those communities most affected, and communicating to a broad audience our challenges and our successes.

Opt Out of Hawaii Health Connector

Given our high rates of insurance coverage, and the strength and responsiveness of our established insurance providers like HMSA and Kaiser Permanente, it is not clear just what problem the Connector is trying to solve.

The Connector has received more than \$200 million in federal grants. The launch of the health exchange was marked by serious technical failings and lost patient records. The Legislature had to provide emergency appropriations. HMSA has already pulled out on the small business side of the exchange. And most revealing of all, only a small number of individuals have signed up as members (less than 1% of our population). To keep it going will cost us \$15 million a year.

We have limited public resources and the money devoted to the exchange should be put to more productive use in training new doctors, modernizing community care facilities, purchasing vaccines, providing dietary education and so on.

We don't need it. We cannot afford it. We will opt out.

Embrace Patient Centered Health

We believe that the future of healthcare will be increasingly defined by a philosophy and a health system that puts the patient right at the center.

Health and wellness are the key concepts, along with prevention, early detection, quality care, local clinics and centers of excellence for complex cases. The core principles have been set out by the Institute of Medicine: care must be safe, effective, patient-centered, timely, efficient and equitable.

The key metrics of success will be improvements in the health of the population, improvements in the experience of care and reductions in per capita health care costs.

A welcome illustration of this new approach is the Patient-Centered Medical Home (PCMH) service pioneered by HMSA. This model puts the patient at the center of care and surrounds the patient with a care co-ordination team led by a primary care provider.

Another is Hawaii Pacific Health which is committed to sustainable healthcare and reinventing the way care is delivered through integrated care focused around the needs of the patient, improved care, electronic medical records and reimbursements that reward quality and better outcomes

We are enthusiastic about patient centered care because it promises so much, and because the status quo is under severe pressure, with falling reimbursement rates and ever greater demands from an aging population.

The Future

We are excited about the future of healthcare in Hawaii.

We have a terrific foundation and we will build on that.

Changes in society, medical science, the economy and our environment will present challenges to the established way of doing things, but we also see enormous opportunities for growth, innovation and improvement.

Our mission is to provide affordable, quality care for all, at the right time in the right place.

To accomplish this we will put the patient first and organize our resources around his and her needs. Our focus will be on outcomes (better health) not inputs (number of visits, tests or procedures).

We will celebrate excellence and achievement.

We will consult broadly, seek consensus wherever possible and resist the temptation to duck hard choices.

We will be objective and fact-based in our decisions, focusing on the quality of care delivered and value realized, not on abstractions or the claims of vested interests.

We will embrace the future.

We will serve the people of Hawaii.

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