

Hawaii Hospitals in Crisis



Hawaii Pacific Health

Kapi'olani • Pali Momi • Straub • Wilcox

The healthcare we enjoy today is nothing short of incredible.

- Heart disease mortality down 30%
- Childhood leukemia survival up from 50% to 85%
- Newborns with previously fatal heart defects now have 70% survival
- We are saving 1 pound newborns



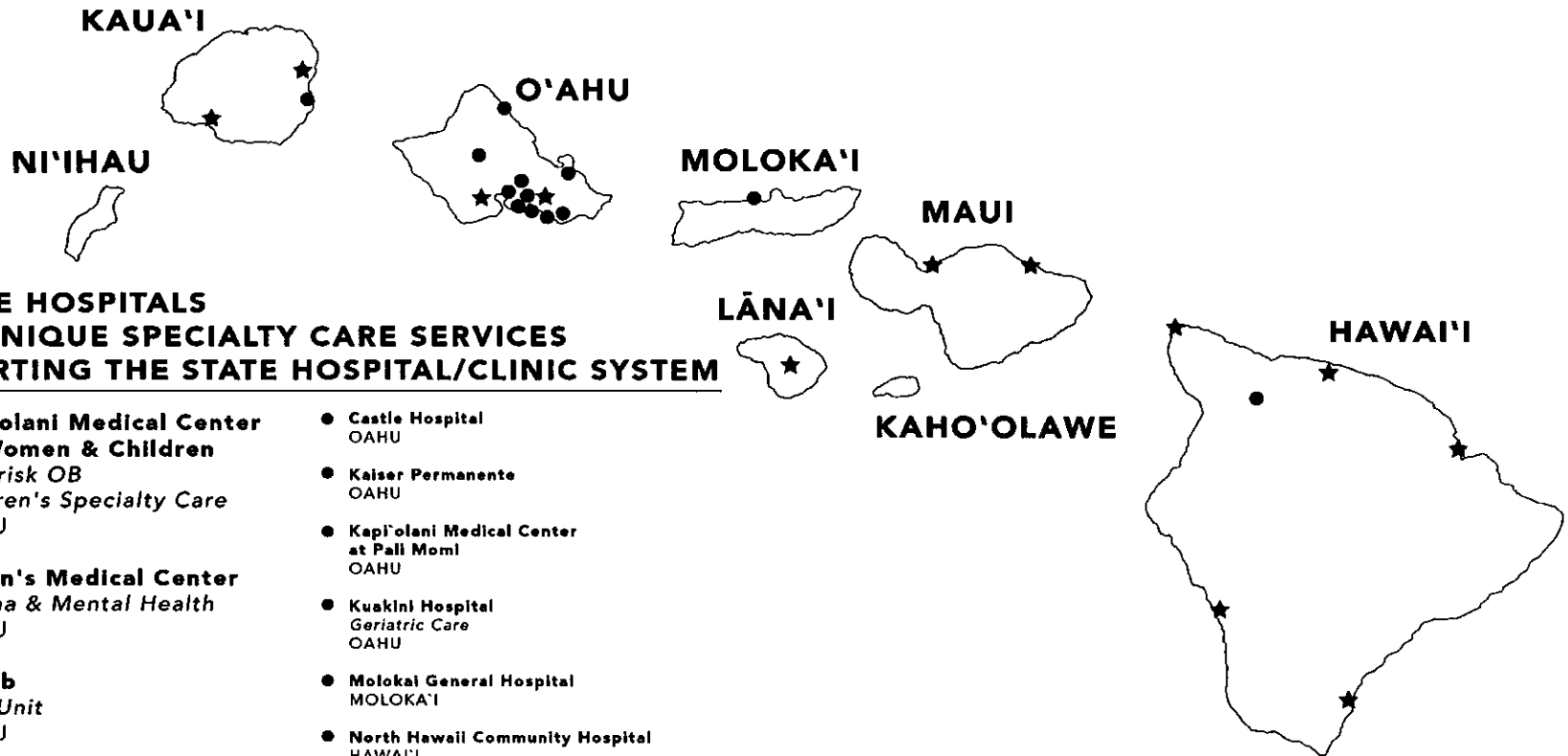
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Hawaii's Hospitals

A partnership of public and private hospitals.

Patients throughout Hawaii rely on state healthcare facilities as well as private hospitals to provide the medical care they need. While basic medical services may be available from the state facilities in their area, patients who require specialty medical care must travel to Oahu's private hospitals to receive these services. As a result, Hawaii's healthcare system must be considered as a partnership of public and private medical services and facilities.



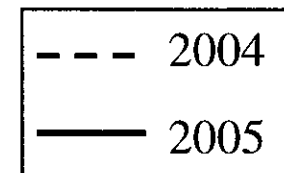
*** PRIVATE HOSPITALS
WITH UNIQUE SPECIALTY CARE SERVICES
SUPPORTING THE STATE HOSPITAL/CLINIC SYSTEM**

- *● **Kapi'olani Medical Center for Women & Children**
*High-risk OB
Children's Specialty Care*
OAHU
- *● **Queen's Medical Center**
Trauma & Mental Health
OAHU
- *● **Straub**
Burn Unit
OAHU
- *● **Wilcox Memorial Hospital**
Acute Care
KAUAI
- * **State Hospitals - Hawaii Health Systems Corporation (HHSC) - Hospitals/Skilled Nursing Facilities**
- **Castle Hospital**
OAHU
- **Kaiser Permanente**
OAHU
- **Kapi'olani Medical Center at Pali Momi**
OAHU
- **Kuakini Hospital**
Geriatric Care
OAHU
- **Molokai General Hospital**
MOLOKA'I
- **North Hawaii Community Hospital**
HAWAII
- **St. Francis Medical Center**
End Stage Renal Disease & Transplant
OAHU
- **St. Francis West**
OAHU
- **Wahiawa General Hospital**
OAHU

HAWAII'S QUALITY PERFORMANCE



**Performance Meter:
All Measures**



Source: The Agency for Healthcare Research and Quality's 2005 report on Hawaii's Overall Health Care Quality.

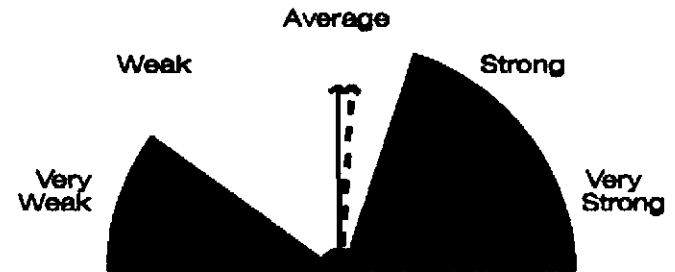
Hawaii stands better than most.

HAWAII



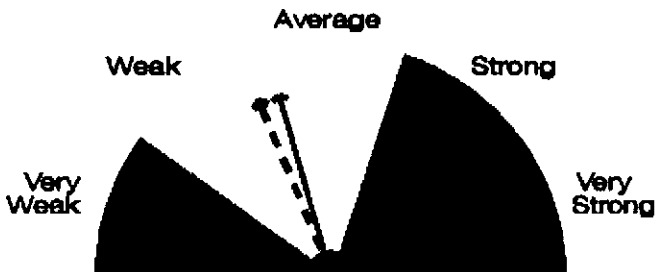
Performance Meter:
All Measures

CALIFORNIA



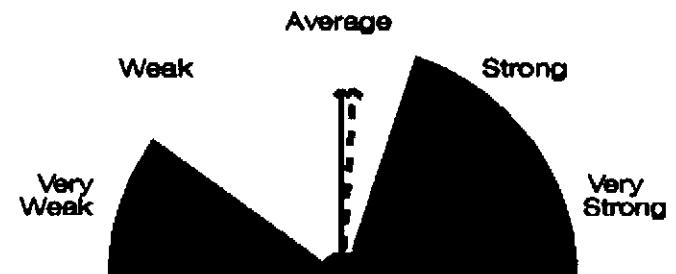
Performance Meter:
All Measures

TEXAS

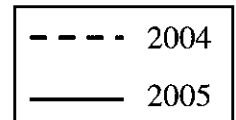


Performance Meter:
All Measures

NEW YORK



Performance Meter:
All Measures



Hawaii is Fortunate

- A state our size would not normally enjoy
 - A Specialty Children's Hospital
 - A Medical School
 - Academic Teaching Programs
- We are fortunate, but there is a price



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The Honolulu Advertiser

MONDAY | February 13, 2006

HAWAII'S NEWSPAPER

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INSIDE TODAY



Isles headed for care crisis?

Bleeding financially,
hospitals may face
'a perfect storm'

BY ROB PEREZ
Advertiser Staff Writer

Star Bulletin

starbulletin.com

JANUARY 15, 2006

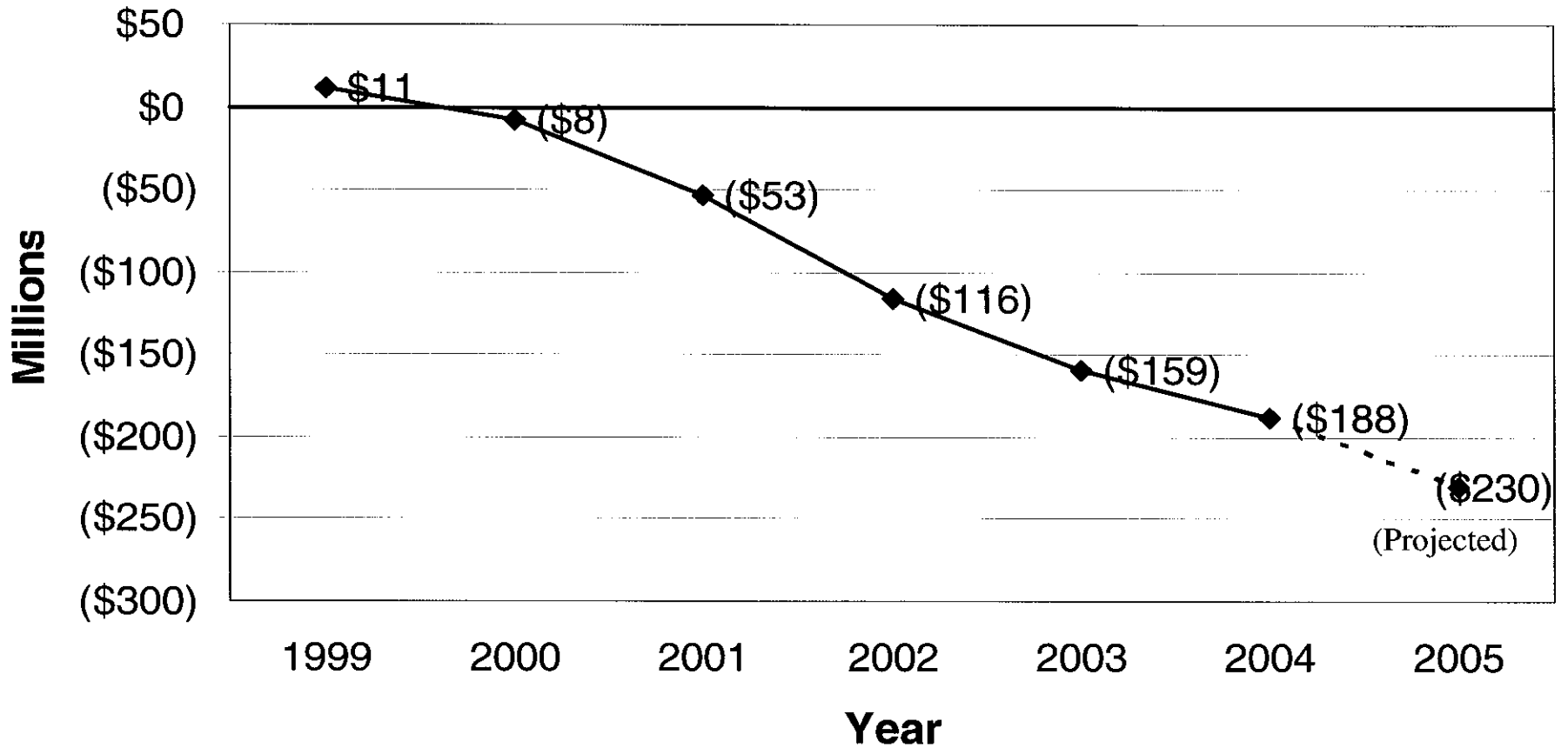
cents

HAWAII'S
SICK
HOSPITALS



*The health care industry is suffering
millions of dollars in losses, leading
to programs and services being cut*

Cumulative Hawaii Hospital Losses

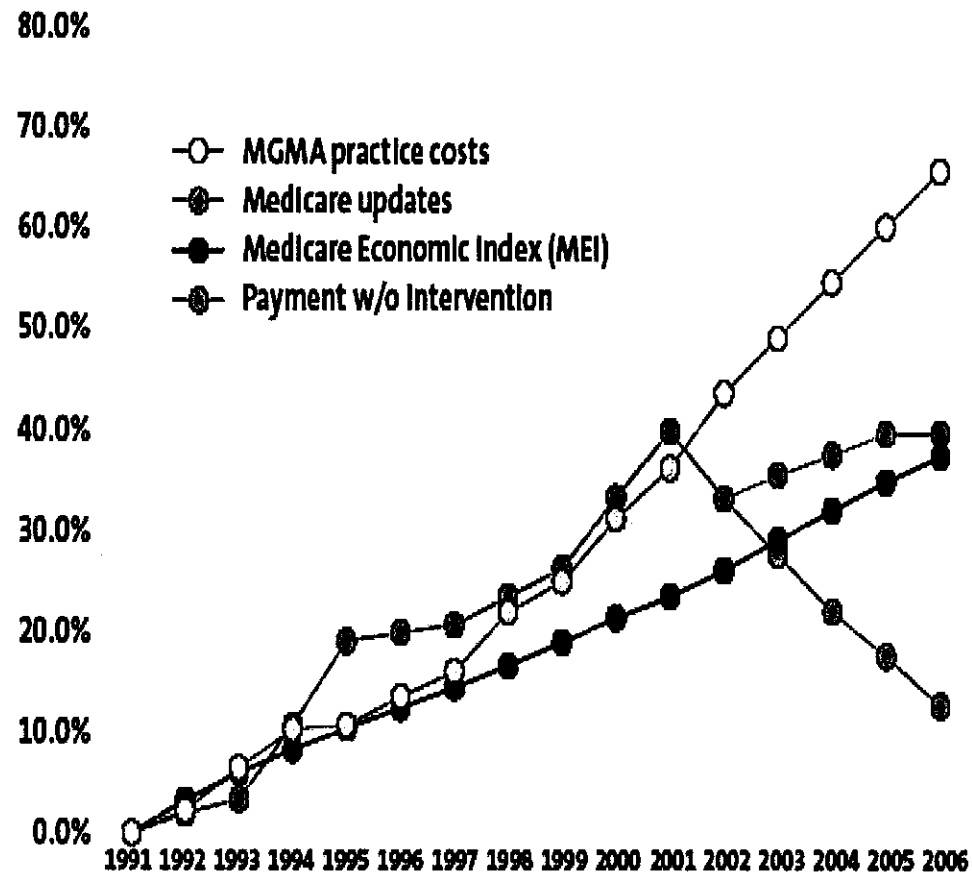


Source: AHA, 2006 Statistics

Annual Medicare updates do not keep pace with practice cost increases

Between 2000-04, operating costs increased more than 17.9 percent per full-time-equivalent physician. Lagging Medicare reimbursement updates have failed to keep pace.

Source: MGMA Cost Survey Reports, Centers for Medicare & Medicaid Services, American Medical Association, Medicare Payment Advisory Commission. Estimates for 2003-06 operating costs and 2005-06 MEI are five-year average gains.



Why are Hawaii Hospitals Losing Money?

- Overall costs are 119% of mainland average
- Economies of scale add another 7%
- Island geography creates inefficiencies
- Lack of long-term care facilities
- Work force shortages
- Government reimburses far below costs
- Private payer premiums lower than mainland

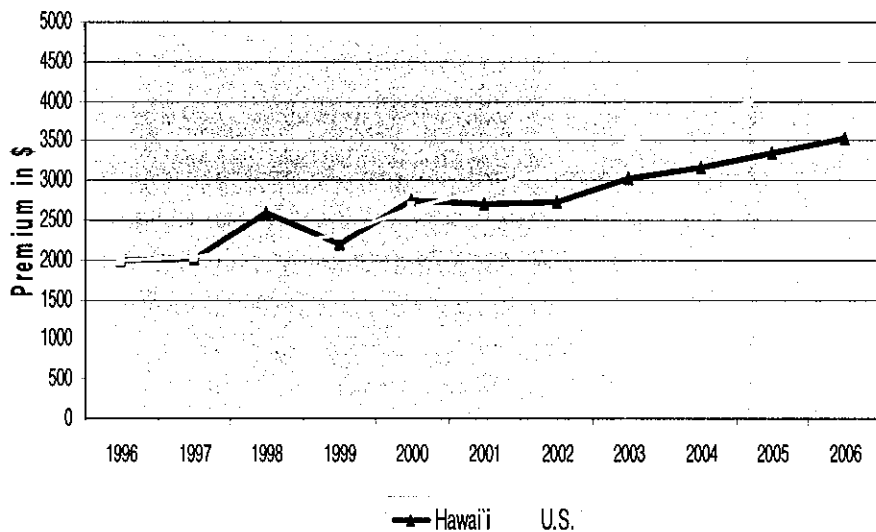
Comparison of Insurance Premiums

Hawaii vs. the Mainland

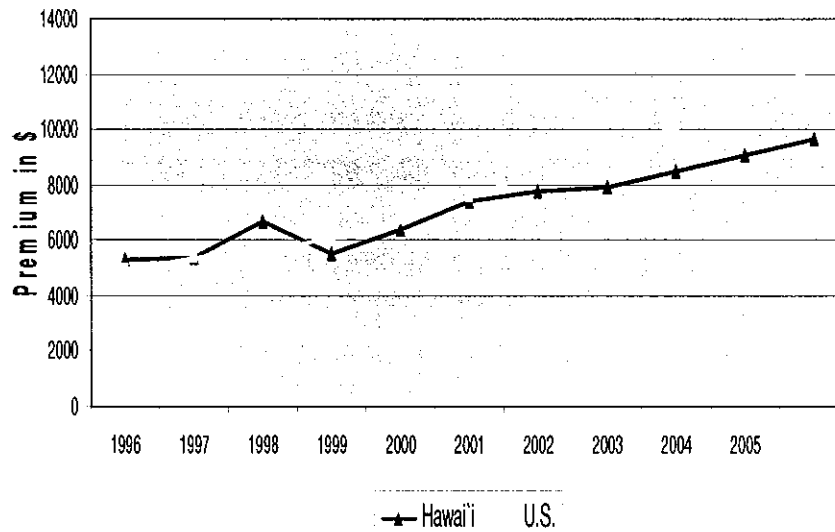
As of 2003, the latest available information, Hawaii premiums for single coverage averaged 13 % below the nation as a whole, and family coverage averaged nearly 15% below the nation.

Predicted rates for 2006 indicate **Hawaii's rates will be 27% below national averages for both single and family coverage.**

Single Coverage Premium, Hawaii vs. U.S.



Family Coverage Premium, Hawaii vs. U.S.



Source: As published in Health Trends by HHIC, Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, Medical Expenditure Panel.

Comparison of Hospital Margins

American Hospital Assn. Report, March 2003 (Reporting from 3,154 hospitals)

	Nation	Hawaii
Medicaid (Quest)	-4 to -9%	-25%
Medicare	-2 to -6%	-21%
Private Payers	+14 to +18%	+6%

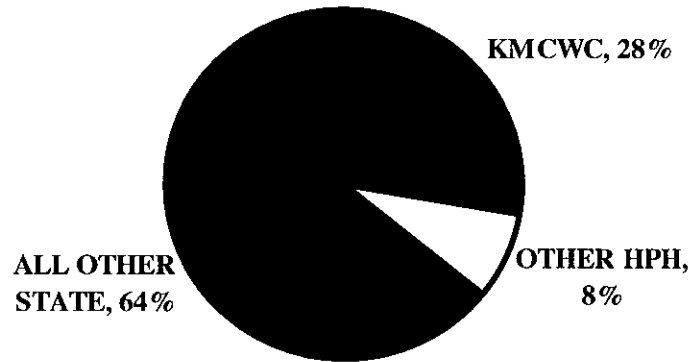
HPH Indirect Cost Reduction

2002 Merger - Immediate \$12M savings

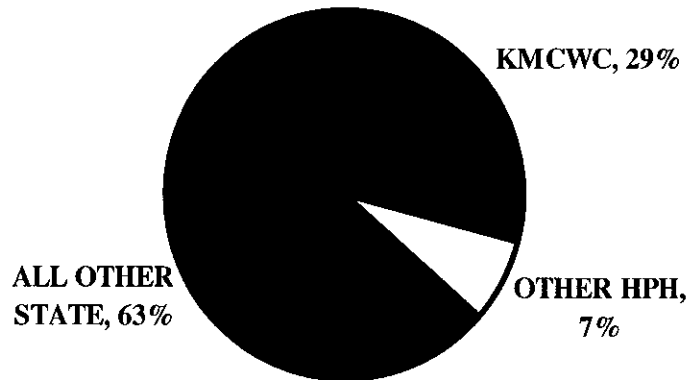
Additional savings since then

	<u>2002</u>	<u>2005</u>
Indirect Expense as % of Revenue	45%	32%

**HAWAII PACIFIC HEALTH
CY 2004 MEDICAID/QUEST INPATIENTS**



**HAWAII PACIFIC HEALTH
CYTD 2005 MEDICAID/QUEST INPATIENTS**



HPH Government Payers Report FY 04

(Medicare, Medicaid/Quest, and other payers such as VA, Champus)

HPH Hospitals' actual cost of providing services	\$239,000,000
Payments received from government payers	180,000,000
Underpayment from government payers for FY 04	(\$59,000,000)



HPH Community Benefit Costs

In FY 05, Hawaii Pacific Health hospitals provided the following major community benefits:

Underpayment for government program care	(\$59 million)
Uncompensated Care (bad debt & charity care)	(\$13 million)
Support of state programs, including UH Residency Teaching Programs	(\$12 million)
Total major benefit programs	(\$84 million)



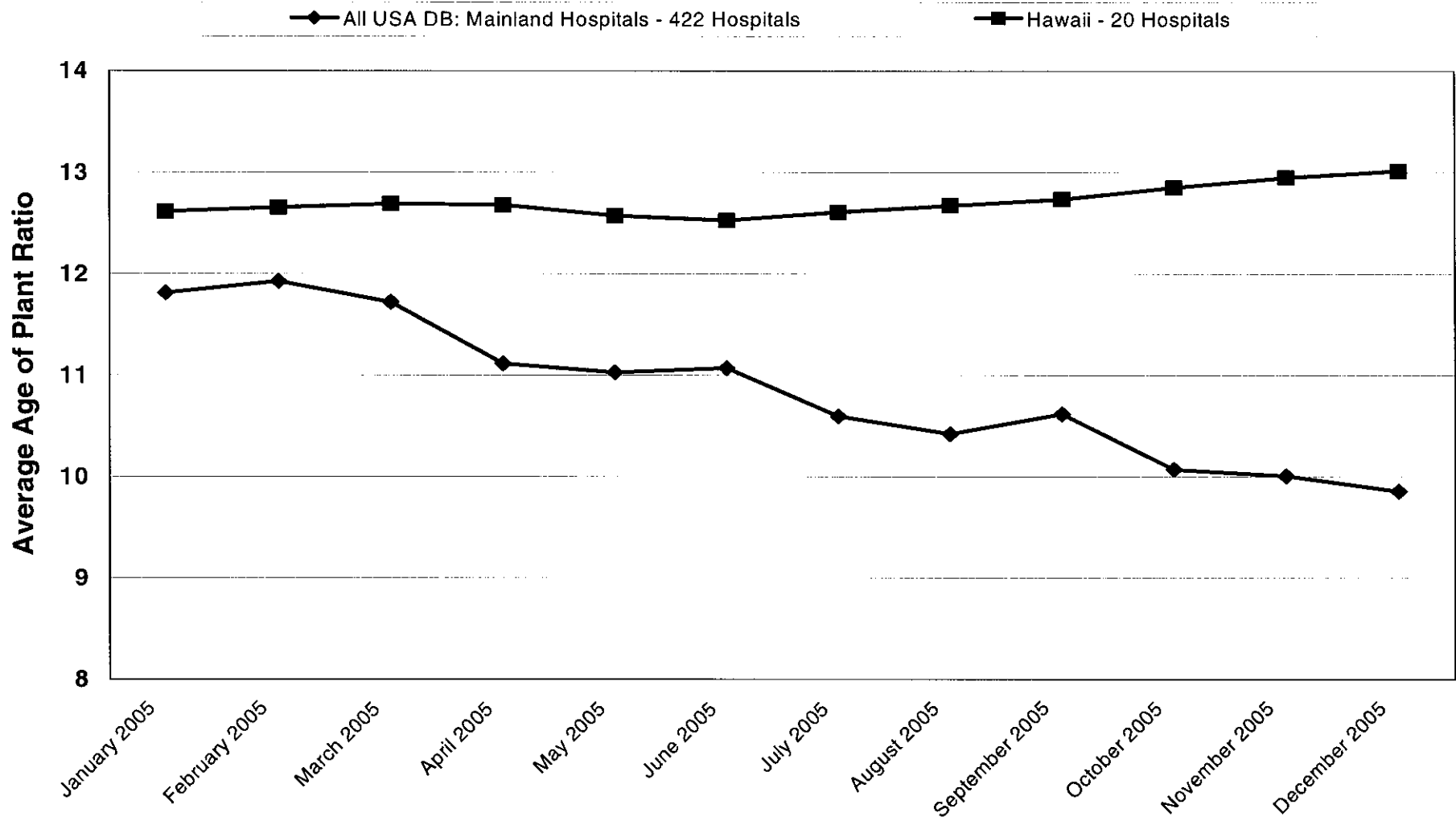
What effect does this continual underfunding have on hospitals?

Hawaii's hospitals are unable to reinvest in facilities, technology, personnel and the programs necessary to ensure quality healthcare for island residents.



HAWAII vs Mainland

Average Age of Plant Ratio



Hawaii's hospitals are faced with program and service cuts that will mean reduction in both services and accessibility to patients and communities.



Costs and demands keep increasing

“Advances in medical technology and treatment increase both the unit cost of care and the demand for care, leading to ever-increasing healthcare costs.”

*Source: HMSA Foundation
Health Trends in Hawaii 2006 Edition*

Prescription for Change

What everyone needs to understand

- It's about quality and patient safety
- Our hospitals are part of one Public/ Private system
- Economic development and sustainability go hand-in hand with quality healthcare
- The health of individuals and our community is dependent on the health of Hawaii's hospitals.



Prescription for Change

Maximize state & federal dollars

State Resolutions

- Statewide Trauma system plan
- SCR77 – Adequacy of state reimbursements
- SCR71-study of LTC issues

Federal Lobbying

- Disproportionate Share to Hospitals
- Graduate Medical Education
- Children's Graduate Medical Education



Senators Akaka and Dodd (D-CT) visited hospitalized children at Kapi`olani and spoke with parents about the miracles and costs of healthcare.



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Prescription for Change

Six steps to take now

1. Maximize federal dollars
2. Seek adequate state & private payer reimbursements
3. Address ER and specialty physician crisis
4. Expand long-term care capacity and access
5. Implement electronic health system
6. Focus on Philanthropy



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Healthcare continues to change dramatically,
adding more miracles and more costs.

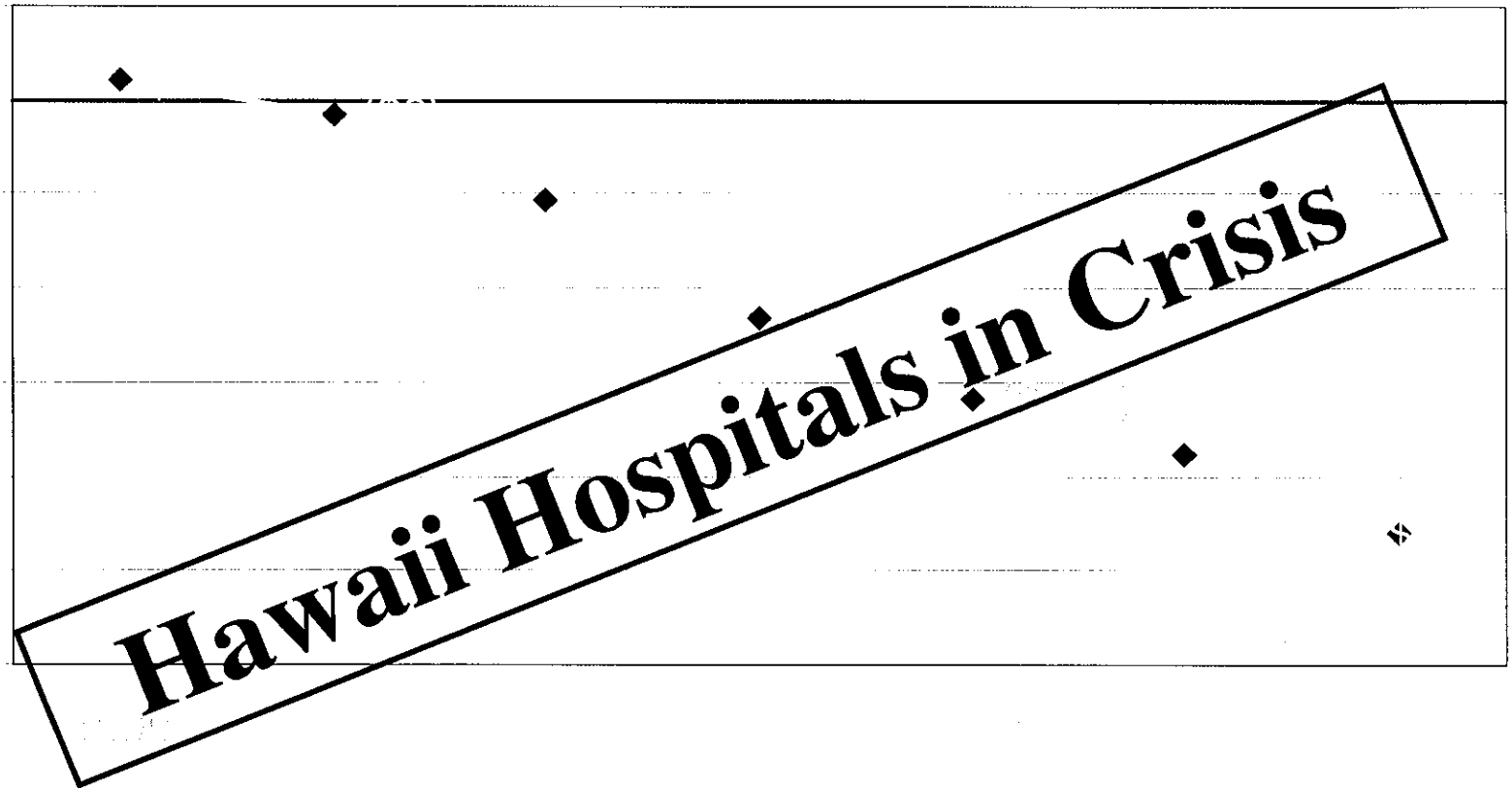
We need to be realistic about healthcare costs
and understand that they need to be shared by all.

An investment in good health benefits us all
and could be the most important choice
we will have to make.



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Cumulative Hospital Losses





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