

PROPOSED

THE SENATE  
TWENTY-FOURTH LEGISLATURE, 2007  
STATE OF HAWAII

S.C.R. NO. 170  
S.D. 1

---

---

## SENATE CONCURRENT RESOLUTION

REQUESTING THE STATE HEALTH AND PLANNING DEVELOPMENT AGENCY TO INVESTIGATE AND DETERMINE WHETHER HAWAII PACIFIC HEALTH/WILCOX MEMORIAL HOSPITAL/KAUAI MEDICAL CLINIC HAS VIOLATED THE 2001 CERTIFICATE OF NEED AGREEMENT.

1 WHEREAS, in 2001, Wilcox Memorial Hospital (Wilcox) and  
2 Kauai Medical Clinic (KMC) merged with Kapi'olani Health and  
3 Straub Hospital and Clinics to create Hawaii Pacific Health  
4 (HPH); and  
5

6 WHEREAS, after six years of operation, there appear to be  
7 real problems with Wilcox Memorial Hospital and Kauai Medical  
8 Clinic; and  
9

10 WHEREAS, a group of physicians, county leaders, former  
11 hospital administrators, and members of the public have reviewed  
12 the Certificate of Need (CON) operating agreement, analyzed the  
13 issues and concerns, and determined that the present situation  
14 is not working; and  
15

16 WHEREAS, although physicians are contractually bound to not  
17 speak against Hawaii Pacific Health, the parent corporation of  
18 Wilcox and KMC, it has been anecdotally reported that the HPH  
19 management style has made KMC an undesirable place to work; and  
20

21 WHEREAS, for instance, in February 2007 alone, six  
22 physicians announced their intention to leave KMC; and  
23

24 WHEREAS, KMC is reducing its commitment to primary care;  
25 and  
26

27 WHEREAS, for example, since the merger, the offices of nine  
28 general internists have closed in the Kauai Medical Clinic; and  
29

30 WHEREAS, four family practitioners have left the medical  
31 group and two pediatricians' practices have closed; and



1 WHEREAS, this is a result of an intentional HPH policy to  
2 alter the ratio of specialty care to primary care physicians on  
3 Kauai, reducing the number of primary care providers who  
4 traditionally provide the majority of care to the disadvantaged,  
5 uninsured, and underinsured and who are necessary for health  
6 maintenance; and

7  
8 WHEREAS, structural changes have increased the expense of  
9 operating Wilcox; and

10  
11 WHEREAS, for example, the outsourcing of long-term care  
12 services and resulting loss of management control of long-term  
13 care has resulted in Wilcox patients not being accepted into  
14 long-term care and increasing unrecoverable costs for Wilcox;  
15 and

16  
17 WHEREAS, HPH has annually charged Wilcox/KMC significant  
18 unallocated expenses in contradiction to the financial model HPH  
19 presented in exhibit D-2 of the 2001 CON application; and

20  
21 WHEREAS, each year these charges, which HPH failed to  
22 disclose prior to the merger, have exceeded the savings  
23 projected in the 2001 CON application; and

24  
25 WHEREAS, under HPH ownership, Wilcox's commitment to care  
26 for the disadvantaged, uninsured, and underinsured has wavered;  
27 and

28  
29 WHEREAS, for example, in 2003 HPH hired ECG Management  
30 Consultants and instructed them to find ways to change the payer  
31 mix of Wilcox Hospital and reduce free care and patients covered  
32 by low paying insurance; and

33  
34 WHEREAS, in addition, a KMC primary care physician divulged  
35 that he has been directed by his supervisor to limit his  
36 appointments of Medicaid and Medicare patients because of the  
37 low reimbursement rates that these insurance plans provide; and

38  
39 WHEREAS, HPH dissolved the KMC Physicians' Advisory Group,  
40 a group of physicians elected at-large from the physician ranks  
41 to liaison with management, because it voted ninety-five per  
42 cent no-confidence in the KMC Medical Director chosen by HPH;  
43 and



1 WHEREAS, as KMC dwindles, the loss in physician and  
2 hospital synergy is hurting Wilcox and as a result, in February  
3 2007, Kauai Veterans Memorial Hospital (KVMH), a forty-five bed  
4 hospital located in an isolated, low population area of Kauai,  
5 had more deliveries than Wilcox; and  
6

7 WHEREAS, as a result of these problems, Wilcox and KMC seem  
8 to be doing worse under HPH than it was before the merger; and  
9

10 WHEREAS, Wilcox and KMC had positive cash flow margins nine  
11 of ten years immediately preceding the consolidation; and  
12

13 WHEREAS, only a few years before the change, in 2000,  
14 Wilcox was selected as one of the one hundred best hospitals in  
15 the nation; and  
16

17 WHEREAS, during the post merger era, Wilcox and KMC have  
18 seemingly checkered financial histories, significant physician  
19 turnover, and reportedly poor staff morale; and  
20

21 WHEREAS, the State Health Planning and Development Agency  
22 (SHPDA) stated in the 2001 CON: "Non-implementation of a  
23 project as described in your application may result in a fine  
24 and/or withdrawal of the Certificate of Need."; now, therefore,  
25

26 BE IT RESOLVED by the Senate of the Twenty-fourth  
27 Legislature of the State of Hawaii, Regular Session of 2007, the  
28 House of Representatives concurring, that the State Health  
29 Planning and Development Agency (SHPDA) should open a formal  
30 case on HPH, Wilcox, and KMC to determine their compliance with  
31 its 2001 Certificate of Need operating agreement and recommend  
32 remedies; and  
33

34 BE IT FURTHER RESOLVED that the investigation is requested  
35 to include, but not be limited to, the following areas:  
36

- 37 (1) Public hearings to solicit input from the physicians  
38 and staff of Wilcox and KMC and the community;
- 39 (2) Independent SHPDA due diligence; and
- 40 (3) A report to look at the effect of revoking the 2001  
41 CON and ways to mitigate the impact; and  
42  
43  
44



PROPOSED

S.C.R. NO. 170  
S.D. 1

1 BE IT FURTHER RESOLVED that certified copies of this  
2 Concurrent Resolution be transmitted to the Governor, the  
3 Director of Health, the SHPDA Administrator, the Kauai County  
4 Mayor and County Council, Wilcox and KMC Physicians, Hawaii  
5 Medical Association, and the Hawaii Nurses Association.

