



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

House Committee on Health

HB 695, Relating to Health Care Services

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

February 13, 2009

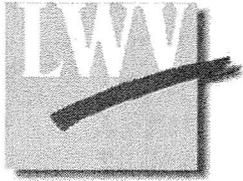
1 **Department's Position:** The Department of Health understands the intent but prefers the
2 Administration Bill H.B. 1121.

3 **Fiscal Implications:** Unknown.

4 **Purpose and Justification:** The Department of Health appreciates the intent of HB 695 but prefers the
5 Administration Bill, HB 1121, which streamlines the operations of the State Health Planning and
6 Development Agency (SHPDA) in a more thorough and comprehensive manner. The certificate of need
7 (CON) application process requires an assessment of existing service providers to determine the impact
8 of the proposed service. In fact, the application process addresses the issues of redundant, excessive or
9 inappropriate services or facilities in public meetings during the review of the application. The State
10 Health Planning and Development Agency and the State Health Coordinating Council (SHCC) have
11 established thresholds for many services in order to prevent the establishment of marginal services.
12 CON applicants must be able to demonstrate that existing service providers are meeting or exceeding
13 these thresholds and that the proposed service will be able to achieve minimum volumes within a
14 defined period of time without adversely affecting existing providers.

1 To make an assessment of all health care services and facilities state wide would be a monumental task
2 requiring additional Agency resources to accomplish. To label existing services and facilities as
3 redundant, excessive or inappropriate is at best subjective and such findings change quickly due to the
4 dynamic nature of health care. It is our belief that the CON process remains the best vehicle to make
5 such assessments on a case by case basis and at the time of application.

6 Thank you for the opportunity to testify.



THE LEAGUE
OF WOMEN VOTERS OF HAWAII

**TESTIMONY ON HB 695 RELATING TO REDUNCANCY IN THE DELIVERY
OF HEALTH CARE SERVERCIES IN HAWAII**

Committee on Health
8:30 a.m.
Friday, February 13, 2009
Conference Room 329

Testifier: Joy A Marshall, RN, Health Reform Chair, League of Women Voters of Hawaii

Chair Yamane, Vice Chair Nishimoto and members of the Committee on Health

The League of Women Voters of Hawaii Supports HB 695

The League state wide as well as nationally supports an economical delivery of health care Redundancy costs tax monies and raises costs to all. A cost and benefit ratio is appropriate and necessary in this economic crisis and at all times.

We support passage of HB695 if it can assist in reducing the cost of providing health care to all

Thank you for the opportunity to testify in support of HB 695

From: Jan Shields [Information@AIHM-Maui.org]
Sent: Thursday, February 12, 2009 11:47 AM
To: HLTtestimony
Subject: Strongly against HB695
Attachments: image001.jpg

Strongly oppose HB695

From:

Jan Shields L.V.T., B.S.N., R.N.C.-NIC
Executive Director
AIHM
Association for Improved Healthcare on Maui
Jan@AIHM-Maui.org
808-250-9060

Hearing to be held at 8:30 a.m., Friday, February 13, 2009
Conference Room 329
9 copies, one for each member of the health committee

HB695 will increase the strength of existing Certificate of Need, CON, laws. This will decrease competition which then:

- **Decrease quality of healthcare**
- **Increase healthcare costs**
- **Increase the time it takes to implement needed healthcare equipment and products**
- **Increase the time it takes to implement needed Healthcare facility development**
- **Lead to corruption in the use of the CON as a tool of anti-trust violations**
- **Act as an additional barrier to healthcare**

According to the U.S. Department of Justice, USDOJ, Antitrust Division, competition in healthcare improves quality and decreases costs.

This group has conferred with 30 attorneys, many healthcare experts, and a large team of Antitrust Division economists holding doctorates in the study of markets and their performance, including a number of experts with specialization in the performance of healthcare markets.

The USDOJ also conferred closely with the attorneys and economists at the Federal Trade Commission, who also study healthcare markets.

The USDOJ, along with these experts, have spent decades studying the healthcare industry. They have found that competition drives innovation and ultimately leads to the delivery of better healthcare.

Government intervention can undermine this system. CON laws are a classic government-erected barrier to entry and expansion and thus are thus detrimental to free markets. They undercut consumer choice and weaken the markets' ability to contain healthcare costs. CON laws pose a substantial threat to the proper performance of healthcare markets.

Original cost control reasons for CON laws no longer apply. The CON started in the mid 60's to the mid 70's when the federal government and private insurance reimbursed healthcare expenses predominantly on a "cost-plus basis" which led to overinvestment. There was concern that, since patients were not price-sensitive, providers unnecessarily expanded their services to offer the perceived highest quality services. The federal government was giving millions of dollars to hospitals at that time.

The federal government mistakenly thought that CON laws would compensate for hospital overinvestment. The National Health Planning and Resources Development Act (NHPRDA) of 1974 offered incentives for states to implement CON programs. The NHPRDA law recognized that the massive infusion of Federal funds into the existing health care system had severely distorted the health care market by contributing to inflationary increases in the cost of health care. However, the CON has proved to be unsuccessful in containing healthcare costs.

The federal government no longer reimburses on a cost-plus basis. Health plans and other purchasers routinely bargain with healthcare providers over prices.

In 1986, Congress repealed the National Health Planning and Resources Development Act of 1974. It was left up to the individual states whether they would keep their CON's, limit their scope or abolish them completely.

Proponents of CON laws now use the CON to stifle competition, protect incumbent market power, frustrate consumer choice, and keep prices and profits high. Proponents of the CON have personal or financial interests in maintaining their current medical systems. When you see someone defending the CON laws, it is important to note that they have a personal financial interest in keeping these CON laws in place.

Protecting revenue's of incumbents doesn't justify the CON laws. CON laws create an opportunity for existing competitors to exploit procedural opportunities to thwart or delay new competition.

Existing competitors use the hearing and appeals process to cause substantial delays, leading both the existing competitor and the new entrant to divert significant funds away from delivering healthcare and to spend them on legal fees, consulting fees, and lobbying efforts.

USDOJ states that vigorous competition results in lower prices and broader access to health care and health insurance, and promotes higher quality. Competition creates important innovations in healthcare technology.

http://www.justice.gov/atr/public/health_care/204694.pdf

<http://www.justice.gov/atr/public/comments/223754.pdf>

Aloha,

jan

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