GRASSROOT INSTITUTE OF HAWAII

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Removing barriers to Hawaii's prosperity

Feb. 6, 2026, 1 p.m.
Hawaii State Capitol
Conference Room 225 and Videoconference

To: Senate Committee on Health and Human Services
Sen. Joy A. San Buenaventura, Chair
Sen. Angus L.K. McKelvey, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

TESTIMONY IN SUPPORT OF SB3139 — RELATING TO STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

Aloha chair, vice chair and other committee members,

The Grassroot Institute of Hawaii would like to offer its **support** for SB3139, which would increase the certificate of need exemption threshold for bed changes to 30% of a facility's total existing licensed beds within a two year period, up from 10%. The bill would also exempt facilities operated by and services provided by the Hawaii Department of Health.

As Grassroot explained in a recent white paper, Hawaii's restrictive certificate-of-need program has become a barrier to affordable and accessible healthcare in our state, especially in rural areas and for vulnerable populations.[1]

Required in Hawaii since the mid-1970s, medical certificates of need allegedly prove to state officials that proposed healthcare facilities, services or equipment updates are "needed" in the community. Even the state Department of Health must comply with CON requirements, which seems highly redundant and bureaucratic.

Nationwide, recent studies suggest that CON laws have the counterproductive effect of limiting healthcare quality and access, especially for rural areas and vulnerable populations. For example, consider that:

[1] Malia Hill, "Improve healthcare access in Hawaii by reforming medical certificates of need," Grassroot Institute of Hawaii, December 2025.

>> States with certificate-of-need laws have fewer hospitals, substance treatment facilities, psychiatric hospitals, ambulatory surgical centers, dialysis clinics, nursing home beds, open heart surgery programs and hospice care facilities.[2]

>> CON regulations tend to result in fewer hospital beds, decreased access to medical imaging technology and longer wait times.[3]

>> CON regulations are linked to fewer rural hospitals and alternatives, and residents of CON states have to travel farther for care and are more likely to leave their states for care.[4]

This bill deserves praise for liberalizing CON regulations for bed changes, as CONs associated with hospital beds contribute to healthcare shortages.

During the COVID-19 crisis, states that required CONs for hospital bed changes were more than twice as likely to experience intensive care unit bed shortages. Indeed, the average COVID-era ICU bed shortage in states with CON laws was approximately nine beds per 10,000 residents. In states that did not have a CON requirement for hospital bed changes, the ICU bed shortage during the pandemic was significantly smaller at only one bed per 10,000 residents. Moreover, these shortages could not be addressed through the temporary lifting of CON requirements, suggesting that long-term reform is necessary to make an impact in this area.[5]

Defenders of CON laws claim they are needed to constrain high healthcare costs and guarantee access to higher-quality care. However, research demonstrates that such laws are associated with higher per-person healthcare costs and higher death rates from treatable complications following surgery.[6]

There are numerous benefits to CON reform, and it has been gaining in popularity across the country. More than a dozen states have fully repealed their CON programs, and even more have been partially rolling them back.

Hawaii's certificate-of-need program is badly in need of reform. Amending bed-change requirements and exempting the Department of Health would be a good first step, but the discussion should not end there. A

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[2] Matthew D. Mitchell, "West Virginia's Certificate of Need Program: Lessons from Research," Mercatus Center at George Mason University, Sept. 22, 2021, p. 5.
[3] Ibid.
[4] Ibid.
[5] Matthew Mitchell, Thomas Stratmann and James Bailey, "Raising the Bar: ICU Beds and Certificates of Need," Mercatus Center at George Mason University, April 29, 2020, p. 3.
[6] Matthew D. Mitchell, "West Virginia's Certificate of Need Program: Lessons from Research," Mercatus Center at George Mason University, Sept. 22, 2021, p. 5.

more comprehensive strategy is currently outlined in SB2289, which proposes broader CON exemptions aimed at helping vulnerable populations.

We hope the Committee will consider other ways to loosen CON regulations, with the goal of improving healthcare access and quality in our state.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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LATE

February 6, 2026

The Honorable Joy A. San Buenaventura, Chair
The Honorable Angus L.K. McKelvey, Vice Chair

Senate Committee on Health and Human Services

Re: SB 3139 – RELATING TO THE STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

Dear Chair San Buenaventura, Vice Chair McKelvey, and Members of the Committee:

Hawaii Medical Service Association (HMSA) appreciates the opportunity to provide comments on SB 3139, which amends the functions and responsibilities of the State Health Planning and Development Agency, adds a new definition of "health care," and amends the exemption threshold for bed changes to up to thirty per cent of existing licensed bed types.

HMSA supports the committee's efforts to remove barriers to expanding health care capacity in Hawai'i. However, HMSA has concerns with language in the bill that could be interpreted to expand the authority of the State Health Planning and Development Agency beyond its traditional health planning and facilities-based role, into areas such as health insurance coverage and rates, benefit design, reimbursement, and related matters that are governed under separate statutory and regulatory frameworks.

Thank you for the opportunity to offer comments on SB 3139.

Sincerely,

Walden Au
Director of Government Relations

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
DEPARTMENT OF HEALTH - *KA ʻOIHANA OLAKINO*

JOSH GREEN, MD
GOVERNOR OF HAWAIʻI
KE KIAʻĀINA O KA MOKUʻĀINA ʻO HAWAIʻI

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HOʻOKELE

JOHN C. (JACK) LEWIN, MD
ADMINISTRATOR

LATE

February 5, 2026

TO: SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
Senator Joy A. San Buenaventura, Chair
Senator Angus L.K. McKelvey, Vice Chair
Honorable Members

FROM: John C. (Jack) Lewin, MD, Administrator, SHPDA, and Sr. Advisor to Governor Josh Green, MD on Healthcare Innovation

RE: **SB 3139 -- RELATING TO THE STATE HEALTH PLANNING AND DEVELOPMENT AGENCY**

HEARING: Friday, February 6, 2026 @ 1:00 pm; Conference Room 225

POSITION: SUPPORT

Testimony:

SHPDA strongly supports SB 3139, which is in the Governor's package. The bill first adds to our statute a modernized definition of healthcare: "Health care" means the improvement of a person's health through the prevention, diagnosis, treatment, and amelioration or cure of disease, illness, injury, or other physical and mental impairment, regardless of the setting in which those services are delivered. Health care includes oral health, behavioral health, and long-term care."

Second, it modernizes SHPDA functions as promoting "universal access to high-quality, equitable, and affordable health care for ALL the people of the State and a shared vision Hawaii's healthcare future." This very broad clarified definition of healthcare and of our powerful primary function are critically important for various reasons. The "shared vision" term is important as well. There are large State healthcare programs and/or responsibilities in the Departments of Health (DOH), Human Services, (DHS), Corrections and Rehabilitation, Education, Commerce and Consumer Affairs, the Hawaiʻi Health System Corporation, the University of Hawaiʻi, and many other state agencies. Most of these have historically been operating in silos. One important aspect of SHPDA's mission is, by collaboration and persuasion, to help the entire state government achieve a shared vision of the ideal future of healthcare here. Similarly, SHPDA interacts with virtually all stakeholders in the larger non-state health sector. A shared vision is sorely needed, there also, considering the federal underfunding issue and the seemingly cataclysmic changes occurring in the private

healthcare sector and insurance industry here. With a physician Governor, there is an opportunity for real progress in this regard.

The state spends between $15-20 billion a year for healthcare services annually; and the more precise accounting of total costs of care (TCOC) will emerge from our implementation of the 10-year AHEAD grant, which SHPDA and DHS Med-QUEST Division successfully applied for in 2024. Importantly, healthcare is by far the largest sector of our state economy. For us and all states, reining in healthcare cost inflation, which is growing faster than general inflation, is necessary to maintain access and affordability of care. SHPDA will take on this tracking function and suggest solutions to maintain affordability.

On the other hand, our federal government is severely underfunding Medicare, putting all hospitals and independent physicians and clinicians in financial jeopardy. With the highest cost of living and housing of states, we have among the lowest per capita spending in Medicare. We are also working with our energetic physician Governor, our Congressional Delegation, and all health sector participants on remedying this, which is a necessary but monumental task since it involves Congressional approval. All said, SHPDA must track access to care, costs of care, quality of care, and healthcare equity on behalf of both the public and private sectors and our population. The mission therefore necessarily includes working in collaboration with all public and private health sector participants and the federal government to foster a Hawai`i-specific shared vision of the future of healthcare.

We expect huge opportunities in these regards from the AHEAD grant, and we a significant role in developing our proposal for the Rural Health Transformation Program. We will be managing the deployment of a significant portion of these new resources. SHPDA's regional and topic-focused advisory councils are named in both federal grants by the Centers for Medicare and Medicaid Services (CMS) as the consumer advocate resource for assuring these programs unfold in the best interest of Hawaii's patient community. We are a 50-year-old agency. Ironically, we are only now beginning to be in a position to fulfill our longstanding legislative mandate and responsibility. Through this authority, and in partnership with DHS/MQD and UH, we are building the state's All-Payer Claims Database. SHPDA will need this and other sources of data from federal and all state sources to fulfill our mission and to monitor the health status of the population. We are building that capacity as well.

The Certificate of Need (CON) modest housekeeping changes proposed in this bill are ones we fully support. Thank for the opportunity to testify and to serve the State as a kind of healthcare-focused authority and resource for our future.

Mahalo for the opportunity to testify.

- -- Jack Lewin, MD, Administrator, SHPDA