



THE HAWAI'I HEALTHCARE PROJECT

TRANSFORMING HEALTHCARE TOGETHER

Phase 1 Report – July 2012

Why Transform Healthcare?

Healthcare is a high-stakes, high-cost service in need of urgent attention. While Hawai'i is a leader in key areas of healthcare – including having the second-lowest percentage of uninsured residents in the nation – unsustainable cost increases and uneven quality of care issues are among the problems the state must address in the short and long term to ensure a healthy population and a system that functions optimally for consumers, providers, insurers, employers and others affiliated with the healthcare system.

Gaps in Hawai'i's healthcare system include:

- Insufficient preventive and primary care
- Lack of reliance on evidence-based medicine
- Limited use of electronic health records, use of patient registries, and information sharing
- Lack of transparency about quality and costs
- Insufficient attention to the concerns of patients, including making their health records available to them, inviting active participation in healthcare decisions, and providing access to after-hours clinical advice and care

Hawai'i, along with other states, experiences a shortage of primary care physicians, especially in rural and inner-city areas and is marked by health disparities associated with poverty, increasing rates of obesity and chronic diseases, and inadequate access to mental health and dental services for those most in need. At the same time, **nearly 15 percent of Hawai'i's economy goes to healthcare costs.** The State is responsible for almost 40 percent of all healthcare purchases and commits 25 percent of the state budget to health expenditures.

These gaps and costs have created an imperative for public and private entities to come together to address these issues and create actionable solutions that will change the system. With the Supreme Court's recent upholding of the Affordable Care Act, **Hawai'i has new tools and support** to continue its effort to transform healthcare in the state.

As the realm of healthcare is broad, our initial efforts have **focused on changes to the healthcare system that we expect to be widely applicable**, and to services for people of all ages, for most medical and behavioral health needs, in all settings of care, and across our diverse state. We intend for this initiative to **create the context for change** that affects technology infrastructure, workforce training and licensing, and greater equity in health status.

Finally, we recognize that the transformation of healthcare must be an on-going pursuit, so our plans will address institutional changes needed to support such work. Ultimately, **universal healthcare coverage is our guiding star**, but that cannot be reached until we build the foundation of a healthy population, demonstrably high quality systems, and sustainable costs.

Our Vision

To ensure Hawai'i residents have access to high quality care and insurance coverage in a seamless and economically sustainable healthcare system.

Our Guiding Principles

We measure our priorities for healthcare transformation against the "triple aim":

- Will they increase quality?
- Will they result in improved health?
- Will they increase the economic value and affordability of care?

In addition,

- Do they address the needs of the whole state, including access to care in rural and isolated areas with limited healthcare resources?
- Do they support Hawai'i's unique cultures & geography?

Our Mission

To identify the goals, tactics, and structures that will improve health and transform healthcare in Hawai'i now and in the future.

What is The Hawai'i Healthcare Project?

The Hawai'i Healthcare Project is a public-private partnership between the State of Hawai'i and Hawai'i's healthcare industry stakeholders that aims to engage parties in identifying strategies that will result in a significant, positive change in how we deliver and pay for care, use information for continuous improvement, and shape public policy and programs to support these changes.

The Hawai'i Healthcare Project is co-chaired by **Beth Giesting**, the state's Healthcare Transformation Coordinator, and **Ginny Pressler, MD**, Executive Vice President of Hawaii Pacific Health. In addition to a 15-member Executive Committee, which provides guidance to the project, **five committees** (known as "domains") have been established to focus on various aspects of healthcare transformation:

- **Delivery System**
- **Payment Innovation**
- **Transformative Health IT**
- **Government Policy and Purchasing**
- **Affordable Care Act (ACA) and Prepaid Health Care Act (PHCA) Reconciliation**

HHP is also supported by a 60-member **Transformation Council**, which includes representatives from state and county government, labor unions, businesses and various healthcare organizations, including hospitals, service providers, and advocacy groups.

Technical and logistical support is provided by the **Hawaii Institute for Public Affairs** (www.hipaonline.com), a nonprofit, nonpartisan and independent research and education organization. HIPA has extensive experience in healthcare policy, having completed, among others, The Hawaii Uninsured Project, Hawaii Health Policy Task Force, and Hawaii Long-term Care Policy Summit. HIPA staff includes William Kaneko (President and CEO), Jeanne Schultz Afuvai (Executive VP) and Andrew Garrett (Project Director).

ACTIVITIES COMPLETED DURING PHASE 1

Hosted Learning Sessions with Noted Experts

As a first step, "Learning Sessions" were convened with noted authorities in healthcare transformation, including experts from the states of Oregon, Vermont and North Carolina. The Office of Healthcare Transformation, with support from the Milbank Memorial Fund and Hawai'i State Legislature, hosted two such Learning Sessions:

The first session on **March 7, 2012**, featured:

- **Craig Jones**, the Director of the [Vermont Blueprint for Health](#)
- **Denise Levis Hewson**, Director of Clinical Programs for [Community Care of North Carolina](#)
- **Aaron McKethan**, Vice President with [RxAnte](#), a leader in developing health system improvements with applied HIT

The second session, on **May 17, 2012**, brought us:

- **Bruce Goldberg**, Director of the [Oregon Health Authority](#)
- **David Lansky**, President and CEO of the [Pacific Business Group on Health](#)
- **Susan Sherry**, Deputy Director for the consumer advocacy group, [Common Catalyst](#)

Convened several committees ("domains") to identify priorities for transformation in various aspects of healthcare

During the months of April and May, four of the five domains held over 20 meetings to ensure a common understanding and consensus around priorities for transforming our system. With the recent ruling from the United State Supreme Court upholding the Affordable Care Act, the ACA/PHCA Domain (the fifth domain) will begin the process of reconciling these two landmark pieces of legislation shortly. The following are systemic challenges faced by each domain, along with goals and priorities they've identified to overcome them:

Delivery System Domain

Co-Chairs: Chris Flanders, DO, Hawaii Medical Association and Tom Tsang, MD, Office of the Governor

Systemic Challenges

We have a fragmented system in which providers frequently don't talk with each other. This results in costly duplication of services, errors caused by lack of information, and confusion for patients. Moreover, the system doesn't typically engage the patient and their family to ensure an understanding of the health problem and active partnership in improving health. Our island geography also contributes to too few providers and other resources being available in rural places or to people with economic and cultural barriers to care.

Goals

- Help our healthcare system behave like a seamless system
- Put patient needs at the center of the care structure and engage them and their families in health and healthcare decisions
- Overcome access barriers, including those related to geography and service distribution

Proposed Delivery System priorities

- **Define and promote patient-centered medical homes (PCMH) with resources for community care networks/care management**
- **Develop accountable care structures appropriate to our island state**

Payment Innovation Domain

Co-Chairs: Joan Danieley, Kaiser Permanente and Tom Tsang, MD, Office of the Governor

Systemic Challenges

In a typical payment system, providers don't get paid if the patient isn't sick. Specialized services receive the biggest payouts, and payments are triggered by visits to providers and procedures that are completed. This system pays less for primary care, little for prevention, and usually nothing for care management or communication among providers and patients. There is no reward for working with patients and their families as partners in achieving better health.

Goals

- Change the payment system so it supports the kind of delivery system we need
- Reward the right patient and provider behavior

Proposed Payment Innovation priorities

- **Increase emphasis on pay-for-performance (P4P) programs**
- **Continue strategic bundling models while moving toward shared savings**

Transformative Health Information Technology Domain

Co-Chairs: Christine Sakuda, Hawaii Health Information Exchange and Tom Tsang, MD, Office of the Governor

Systemic Challenges

Effective delivery system innovations and the payment models needed to support them require the availability and use of clinical and cost-related information across the continuum of care and for the benefit of the consumers, payers, and public health.

Goals

- Ensure electronic health records support treatment where and when needed
- Share timely information with patients and providers
- Use data to identify and address areas for improvement, measure outcomes, and continually transform our healthcare system

Proposed Transformative Health IT priorities

- **Promote effective and meaningful use of electronic health records and health information exchange.**
- **Develop a clinical and claims repository**
- **Develop mechanism for timely reporting and feedback**

Government Policy and Purchasing Domain

Co-Chairs: Beth Giesting, Office of the Governor, and Ginny Pressler, MD, Hawaii Pacific Health

Systemic Challenges

The healthcare system is large and complex. It needs a powerful catalyst to help it move in the right direction. The State can be that catalyst because it insures 40% of the residents of Hawai'i, spends billions of dollars for that coverage, and has policy-making authority that can be mobilized for further transformation. The historic context for Medicaid, EUTF, and public health has separated these programs, but joined together, they can play a significant role in healthcare innovation in Hawai'i and pave the way for continuous improvement.

Goal

- Align state government healthcare policy and leverage purchasing power to serve as a catalyst for change

Proposed Government Policy priorities

- **Align state government for health policy and purchasing**
- **Build capacity for on-going healthcare innovation**

The State's Response to the U.S. Supreme Court Ruling on the Affordable Care Act

"Here in Hawai'i, we already have our Prepaid Health Care Act, which enables a vast majority of our residents to be insured. The U.S. Supreme Court's decision supports President Obama's initiative to make healthcare availability a national policy. What is most important for Hawai'i to know is that your State government will continue to support a healthcare system that ensures high quality, safety and sustainable costs. The Affordable Care Act is our ally in this effort."

~ Governor Neil Abercrombie, June 28, 2012

Hawai'i's Medicaid eligibility standards for low income adults are already aligned with the Affordable Care Act to ensure coverage for low income adults below 133% of poverty. Higher eligibility standards are in place to protect our most vulnerable residents including children, pregnant women, adults over 65, and blind and disabled persons.

In addition, Hawai'i was the first state to declare its intention to establish a state-certified health insurance exchange. Operating as the Hawai'i Health Connector, the web portal will serve as a "one-stop shop" where individuals and small businesses can find, compare and purchase health plans that best fit their needs. It is expected to be fully operational on January 1, 2014.

Matrix of The Hawai'i Healthcare Project Delivery System Innovations

While the priority delivery system innovations and HIT and payment tools identified may appear to focus exclusively on medical care, we believe that building a foundation of patient-centered care is the most effective means to improve the integration of medical and **behavioral health services**, ensure that **long-term care needs are met**, and that **dental care** is included as an essential health service. We're building a seamless system of care to appropriately and cost-effectively address all health needs. As we move toward accountable care and payment systems, the artificial demarcations we've constructed around benefits, providers and reimbursements will shift.

	Patient-Centered Medical Home	Community Care Network	Accountable Care-Like Organization
Definition of Delivery System Priorities	A PCMH is a primary-care oriented practice that uses a variety of strategies to engage and accommodate patients. Hallmarks include enhanced access and care coordination made possible with a team of ancillary providers, use of registry functions to track and improve progress, and effective exchange and stewardship of patient records. The Community Care Network provides coordination and support to the PCMH.	A CCN is a team of ancillary providers and care managers whose function is to coordinate care for patients within or between a PCMH, specialist, hospital, and other setting. Especially for solo and small practices, the CCN can be the means to support the continuum of care from PCMH through ACO. If needed, the CCN can also provide additional services such as medication reconciliation, nutrition counseling and other health education, primary behavioral health services and assistance in getting more advanced care.	An ACO-like structure coordinates and shares responsibility for care across the continuum of health services, from PCMH through specialty care, to acute care and to long-term care. The ACO requires additional legal and structural agreements for sharing outcome expectations, clinical and performance data, and payments. The CCN provides coordination and support to the ACO.
Associated Payment Innovations	<ul style="list-style-type: none"> Pay for performance Shared savings 	Explore appropriate support mechanisms in relation to patient-centered medical homes.	<ul style="list-style-type: none"> Pay for performance Shared savings Bundled payments
Data and Health IT Support Needed	<ul style="list-style-type: none"> Expand use of electronic health record and health information exchange. Data repository and analytics to establish and measure quality, payment incentives, consumer, employer, payer information. 	Electronic sharing of patient information needed for care management.	<ul style="list-style-type: none"> Expand use of electronic health record and health information exchange. Data repository and analytics to establish and measure quality, payment incentives, consumer, employer, payer information.
Government Policy & Purchasing	Implement innovations in public programs (MedQUEST, EUTF, and Connector).	Implement innovations in public programs (MedQUEST, EUTF, and Connector).	Implement innovations in public programs (MedQUEST, EUTF, and Connector).

What's Ahead in Phase 2 (Summer/Fall 2012)

With Phase 1 behind us, we look forward to moving into the next phase of this project. The following is a list of immediate tasks before us:

1. Design the implementation plan

Identification of priorities is the start to transformation. The next order of business is the development of an implementation plan to get us from concept to reality. Work is well under way in this regard.

2. Embark on a robust public/stakeholder outreach campaign

While we sought broad stakeholder representation in the workgroups that identified priorities, we recognize the need to seek broader public and stakeholder input on our plans. We will be seeking to share our thoughts and encourage feedback from as many additional stakeholders as possible in the months to come including consumers, providers, and policy-makers.

3. Begin building the transformation infrastructure

Government is both a policy-maker and the state's most significant payer for healthcare; it currently purchases health coverage for 40 percent of the population either through Medicaid or the Employer-Union Health Benefit Trust Fund (EUTF). Our investment in system innovation has a direct return to the State as purchaser but also serves as a catalyst for change across the entire system. Accordingly, we recommend a public structure to ensure policy and purchasing consistency and accountability, support and coordination for health data and information technology initiatives, attention to workforce and access issues, and linkage to public health needs. The Government Policy and Purchasing Domain was recently convened to begin this process.

4. Determine how to reconcile the ACA and PHCA

Since 1974, the Hawai'i Prepaid Health Care Act (PHCA) has set minimum standards for healthcare benefits for employees. Employers are required to provide eligible employees with affordable healthcare coverage for non-work related illness or injury. Certain provisions of the Affordable Care Act of 2010, which were recently upheld by the US Supreme Court, are not compatible with the Hawai'i Prepaid Health Care Act and, since federal law supersedes state law, Hawai'i must identify areas of conflict. We then need to thoroughly understand the implications of the differences and decide whether Hawai'i benefits most by requesting federal waivers to conflicting provisions or by changing our own practices. The ACA/PHCA Domain will convene in August to begin to address these issues.