

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Review of the State Health Planning and Development Agency

Summary

The Legislature has long been concerned with the effectiveness of the State Health Planning and Development Agency. Many of these concerns focus on the agency's certificate of need program which regulates certain capital investments in medical facilities, equipment, and services. Opponents of the program argue that the regulation is costly and that limits on high technology—such as magnetic resonance imagers—and delays in their acquisition prevent people from obtaining important state of the art health care.

The impetus for establishing the State Health Planning and Development Agency came from an ambitious 1974 federal law which sought to ensure equal access to quality care at reasonable cost. Hawaii's law establishing the agency in 1975 introduced a health planning approach that incorporated extensive community participation. The federal law was subsequently repealed in 1987 when it was viewed as costly and without benefit. Concurrent with attempts to repeal the federal law, the Hawaii Legislature amended the state law in 1984 to make controlling increases in health care costs a principal function of the agency.

We found no convincing evidence that the certificate of need program has controlled increases in health care costs. Many factors outside the agency's purview continue to fuel these costs. Neither proponents nor opponents of the program have data to support either side of the question. Perhaps most important, the agency itself has not instituted the means to gauge whether it has been effective. It needs a better system for managing the processing of applications in the certificate of need program as well as better research methods and data for making decisions on applications. The review of applications by several advisory committees is unnecessarily burdensome, involving large numbers of people and extensive work by agency staff.

We also found that Chapter 323D, Hawaii Revised Statutes, assigns disparate, contradictory functions to the agency. Despite the 1984 amendment which says that a principal function of the agency is to control increases in health care costs, the agency has continued to see its purpose as ensuring equal access to quality health care at reasonable cost.

The agency devotes substantial staff resources to planning efforts that have little relationship to regulating costs. The agency is also responsible

for staffing the Dispersal Review Council which was created to ensure that some group living facilities are dispersed throughout the state. This responsibility further dilutes SHPDA's effectiveness. If SHPDA's function is limited to regulation, its current staff and budget should be more than adequate.

Recommendations and Response

We recommend that the Legislature limit the agency's function to regulating large capital investments in health care facilities and expensive medical technology. The agency should review the scope of the certificate of need program, develop indicators to measure the effectiveness of the program on containing costs, and report its methodology and analysis to the Legislature each year. It should require complete reporting by applicants on a project's effect on health care costs and monitor the projects it approves.

The agency should better manage the certificate of need process by improving its record keeping, streamlining the review process, and carrying out needed research in support of the program. Finally, the statutes and the rules should be amended so that the chair of the State Health Coordinating Council would chair the reconsideration committee when agency decisions on applications are appealed.

The agency responded that it disagrees strongly that its function should be limited to one of regulation. It says that its mission is to promote accessibility for all the people of the state to quality health care at reasonable cost. It agrees that it should review the scope of the certificate of need program, develop better measures on the program's effect on costs, and it intends to report on progress to the 1993 Legislature. It also agrees to require complete reporting by applicants and to monitor the projects it approves. In addition, it agrees to improve its record keeping, develop a better tracking system for applicants, and carry out needed research. It agrees with the recommendation to have the chair of the State Health Coordinating Council chair the reconsideration committee. However, it does not agree that the number of reviews by advisory committees should be reduced. It says that the agency's mission requires broad community-based participation.

The Department of Health appreciated the many constructive comments and recommendations in the report without commenting on specific issues.

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