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In Hawaii's Health System, Lessons for Lawmakers

By [GARDINER HARRIS](#)

HONOLULU — Imee Gallardo, 24, has been scooping ice cream at a Häagen-Dazs shop at Waikiki Beach for five years, and during that time the shop has done something its counterparts on the mainland rarely do: it has paid for her health care.

Ms. Gallardo cannot imagine any other system.

“I wouldn't get coverage on the mainland?” Ms. Gallardo asked. “Even if I worked? Why?”

Since 1974, Hawaii has required all employers to provide relatively generous health care benefits to any employee who works 20 hours a week or more. If health care legislation passes in Congress, the rest of the country may barely catch up.

Lawmakers working on a national health care fix have much to learn from the past 35 years in Hawaii, [President Obama's](#) native state.

Among the most important lessons is that even small steps to change the system can have lasting effects on health. Another is that, once benefits are entrenched, taking them away becomes almost impossible. There have not been any serious efforts in Hawaii to repeal the law, although cheating by employers may be on the rise.

But perhaps the most intriguing lesson from Hawaii has to do with costs. This is a state where regular milk sells for \$8 a gallon, gasoline costs \$3.60 a gallon and the median price of a home in 2008 was \$624,000 — the second-highest in the nation. Despite this, Hawaii's [health insurance](#) premiums are nearly tied with North

Dakota for the lowest in the country, and [Medicare](#) costs per beneficiary are the nation's lowest.

Hawaii residents live longer than people in the rest of the country, recent surveys have shown, and the state's health care system may be one reason. In one example, Hawaii has the nation's highest incidence of [breast cancer](#) but the lowest death rate from the disease.

Why is Hawaiian care so efficient? No one really knows.

In dozens of interviews, doctors and hospital and insurance executives in Hawaii offered many theories, including an active population that is culturally disinclined to [hospitals](#), a significant military presence and a health care market dominated by a few not-for-profit organizations.

But there was another answer: With nearly 90 percent of the populace given relatively generous benefits, patients stay healthy and health providers have the money and motivation to innovate.

If true, it's a crucial lesson. Health care overhaul efforts at the state and national levels have so far been largely confined to providing bare-bones insurance coverage to those in need. But changing the way care is provided has been given short shrift, and medical experts warn that costs could soar if overhaul legislation passes. After expanding coverage in 2006, Massachusetts is only now tackling the cost problem as expenses continue their inexorable rise.

But the Hawaii experience suggests that overhauling health insurance before changing the way care is provided could work, eventually. With more people given access to care, hospital and insurance executives in Hawaii say they have been able to innovate efficiencies. For instance, the state's top three medical providers are adopting electronic medical records — years ahead of most mainland counterparts.

The [Hawaii Medical Service Association](#), the state's largest insurer and a Blue Cross Blue Shield member, recently offered the nation's only statewide system whereby anyone for a nominal fee can talk by phone or e-mail, day or night, to doctors of their choosing.

Kaiser Permanente Hawaii, which covers about 20 percent of the state's population, screens 85 percent of its female members ages 42 to 69 for breast cancer, among the highest screening rates in the country.

One result of Hawaii's employer mandate and the relatively high number of people with health insurance is that hospital emergency rooms in the state are islands of relative calm. In 2007, the state had 264 outpatient visits to emergency rooms per 1,000 people — 34 percent lower than the national average of 401.

Dr. Ray Sebastian splits his time between the emergency room at Kapi'olani Medical Center at Pali Momi and a hospital in Los Angeles. Nearly all of his poorest patients in Hawaii have routine access to family doctors who can provide follow-up care, while fewer than half of those in Los Angeles do, he estimated. So, he said, the emergency room in Hawaii is not clogged with patients suffering minor problems like medication adjustments and cold symptoms, and patient waiting times are a small fraction of those in Los Angeles:

“It's like greased lightning here,” he said.

Other states tried employer-mandated care only to repeal the efforts after employers threatened to move across state lines. Hawaii's isolation forestalled such threats, and its paternalistic plantation history made employer-provided care an easy fit.

In interviews, leaders and employers in Hawaii referred with surprising earnestness to an “aloha spirit” and a sense of familial obligation known as ohana to justify providing care to nearly everyone.

Hospital executives said they never overbuilt their facilities because the Pacific Ocean meant they could not delude themselves into thinking, as their mainland counterparts sometimes do, that they would be able to attract patients from afar.

Since supply tends to drive demand in health care, this may be one reason Hawaii residents use fewer health care services — they get a third fewer [magnetic resonance imaging](#) tests and are admitted to the hospital 26 percent

less than the United States average.

There are clear problems with Hawaii's system. Hospitals on the outer islands are small and losing money. With unemployment rising, so, too, are the ranks of the uninsured — which is now 10.7 percent of nonelderly adults. Only Massachusetts has a lower share of uninsured adults, and the national share is 20.4 percent. And there is growing evidence that as the economy has slowed and premiums have risen, employers have hired more part-time workers who are ineligible for benefits.

Barbara Zacchini, owner of Pizzeria Zacchini on the island of Hawaii, said she makes sure that her 17 part-timers work less than 20 hours a week so she does not have to pay for their care.

"I'm for universal health care," Ms. Zacchini said, "but it's tough to run a business in this state and in this economy."

Some employers are ducking the law altogether. A 61-year-old travel agent in Honolulu said her boss refused to provide health insurance although he is required by law to do so. She cannot find another job, so she asked that her name not be used.

She has not been to a primary-care doctor or a gynecologist in years and goes to the emergency room when she needs care. "I could have an alien called [cancer](#) growing inside me, but who knows?" she said. "It worries me."

Hawaii law requires employers to offer standardized health plans with low co-pays, no deductibles and few out-of-pocket costs. Cliff Cisco, a senior vice president at the Hawaii Medical Service Association, said that having a standardized and popular benefit has helped keep administrative costs to just 7 percent of revenue, among the lowest in the nation.

Indeed, many in Hawaii are worried that legislation moving through Congress could, if it supersedes Hawaii law, allow employers to reduce the quality of care provided. So legislators in Hawaii have pushed for provisions exempting the state.


Chad Buck, owner of Hawaii Food Service Alliance, a grocery distribution company with 140 employees, said he feared national health care legislation might allow his competitors to provide low-cost, high-deductible plans in place of the generous benefits now required by the state.

“I don’t want to compete against low-quality health care, and I don’t want my employees to have a cheap second,” Mr. Buck said.

Richard Caldarazzo, 25, a manager at Lulu’s Waikiki Surf Club, said he had worked at restaurants in Ann Arbor, Mich., and Chicago and had never gotten health insurance.

After he moved to Hawaii and got a job at Lulu’s, “I was really surprised when they told me I’d get insurance,” Mr. Caldarazzo said. “My parents couldn’t believe it.”

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