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# Star-Bulletin.com

Vol. 11, Issue 15 - Sunday, January 15, 2006



CRAIG T. KOJIMA / [CKOJIMA@STARBULLETIN.COM](mailto:CKOJIMA@STARBULLETIN.COM)  
 Arthur Ushijima, left, president and CEO of the Queen's Medical Center, talks with Dr. Dan Smith, chief of Queen's Emergency Medicine Division, in the emergency room at Queen's.

## State losing health-fund fight

Reimbursements are too low, one hospital official concludes

>> [Hawaii's Sick Hospitals](#)

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### FIRST OF THREE PARTS

Hawaii hospitals lost about \$100 million in 2003 while those in Maine -- comparable to Hawaii in size and population -- earned \$100 million, according to the head of the isles' largest hospital.

Arthur Ushijima, Queen's Medical Center's president and chief executive officer, came across this fact as he studied statistics "to see what drives the industry."

Nationally, the hospital industry was profitable in 2003, netting \$21.9 billion in total income, he said. Maine's hospital industry had revenues of \$2.4 billion, exceeding expenses of \$2.3 billion, Ushijima said.

In Hawaii, however, hospital industry expenses in 2003 totaled \$1.8 billion while revenues totaled only \$1.7 billion.

Ushijima said he looked at basic issues of capacity, personnel, utilization and cost per capita to figure out the Hawaii industry's financial plight.

Isle hospitals have fewer beds than Maine and the national average, he said, "so it's not that we're paying for additional beds in this community that's causing the industry to lose money."

Local hospitals are admitting about 89 patients per 1,000 population compared with 120 per 1,000 nationally and 114 in Maine, "so utilization is very efficient," he said. "We tend to try to keep patients out of the hospital rather than in. I don't know if the population is healthier or what."

Length of stay tends to be higher here because of a shortage of long-term care facilities, but it's still below the national average in days, Ushijima said.

The fundamental problem is that Medicaid and Medicare reimbursements are too low to cover costs, Ushijima said.

"The challenge is to change reimbursement formulas that affect small states like Hawaii with efficient utilization statistics and comparatively low reimbursements," he said.

Ushijima said Hawaii hospitals have greater flexibility "to flex up or down" with part-time employees based on need, but they tend to maintain a full-time work force to provide necessary services.



**Comparative hospital industry profitability 2003/2002**

	Population	2003			2002		
		Revenues*	Expenses*	Net*	Revenues*	Expenses*	Net*
U.S.	290.8 million	\$467.6	\$445.7	\$21.9	\$431.2	\$412.5	\$18.7
Hawaii	1.3 million	\$1.7	\$1.8	-\$0.1	\$1.6	\$1.6	0
Maine	1.3 million	\$2.4	\$2.3	\$0.1	\$2.2	\$2.1	\$0.1
Louisiana	4.5 million	\$7.6	\$7.1	\$0.5	\$7.1	\$6.7	\$0.4

\*Billions

Source: American Hospital Statistics, 2005

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Emergency-room visits and surgeries also are considerably lower than the national average in Hawaii, as well as those in Maine, Ushijima said.

He said costs per capita surprisingly are \$1,418 for Hawaii's hospital industry, compared with the national average of \$1,548 and \$1,755 in Maine.

"You'd think with our high cost of living, we'd be just the opposite. So we're very efficient," he said. "We don't spend as much as the national average on hospital expenses."

The investment banking community would probably give the hospital industry a B credit rating based on the statistics, Ushijima said.

But further reductions in Medicare reimbursements pose a risk of pushing the industry toward high-risk, junk-bond status, he said, stressing that federal reimbursements must be increased to Hawaii to provide more revenue for the hospital system.

"The financial infrastructure of the hospital industry in Hawaii really has to be reinforced," Ushijima

said. "If we can't get more federal funding for Medicare/Medicaid, how do we get dollars to the provider community and hospitals?"

If Hawaii had a major disaster like Hurricane Katrina or 9/11, he added, "We would be in a lot of difficulty, obviously. ... We have to be very contained and self-sufficient."

"The public needs to understand this is a community-wide concern, not just an industry issue," Ushijima said. "We need to be prepared for a major disaster along with just being available any time the public needs us."

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