FUTURE OF HAWAI`I THE HEALTH STATE

HEALTHY HAWAI`I SUMMIT

DOH

DECEMBER 5, 2025

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HAWAI`I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

AND

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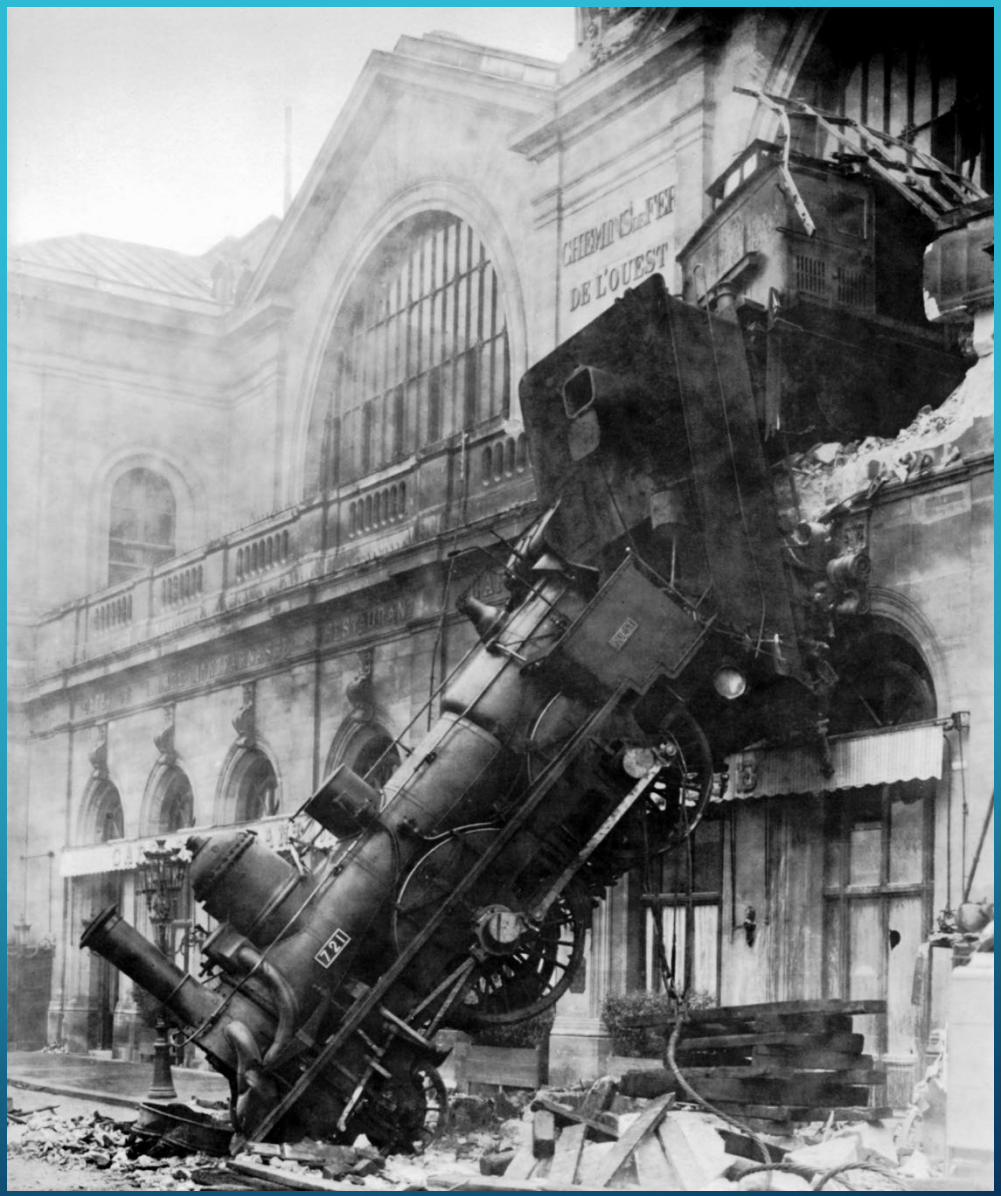
HEALTH AND HEALTHCARE

- Tail wagging the dog
- A difficult era for public health
- A difficult era for healthcare
- But maybe some opportunities we're ignoring?

U.S. HEALTHCARE STATUS

- We have a healthcare "non-system"
- Of 38 OECD nations, US ranks #38
- 17% of GDP spend vs. OECD average of 7.4%-- with poorer outcomes
- This is not sustainable economically; nor is good for public health.



Train wreck at Montparnasse Station, Paris, 1895. Studio Lévy & fils.

KEY U.S. ISSUES

- WE HAVE THE BEST TECHNOLOGY IN THE WORLD….
  - We produce the world's best research and science.
- BUT, OUR HEALTHCARE DELIVERY SYSTEM FAILS US.
- OF THE 38 OECD NATIONS, ONLY THE US LACKS:

  A DEFINED SET OF GUARANTEED BENEFITS FOR ALL; AND

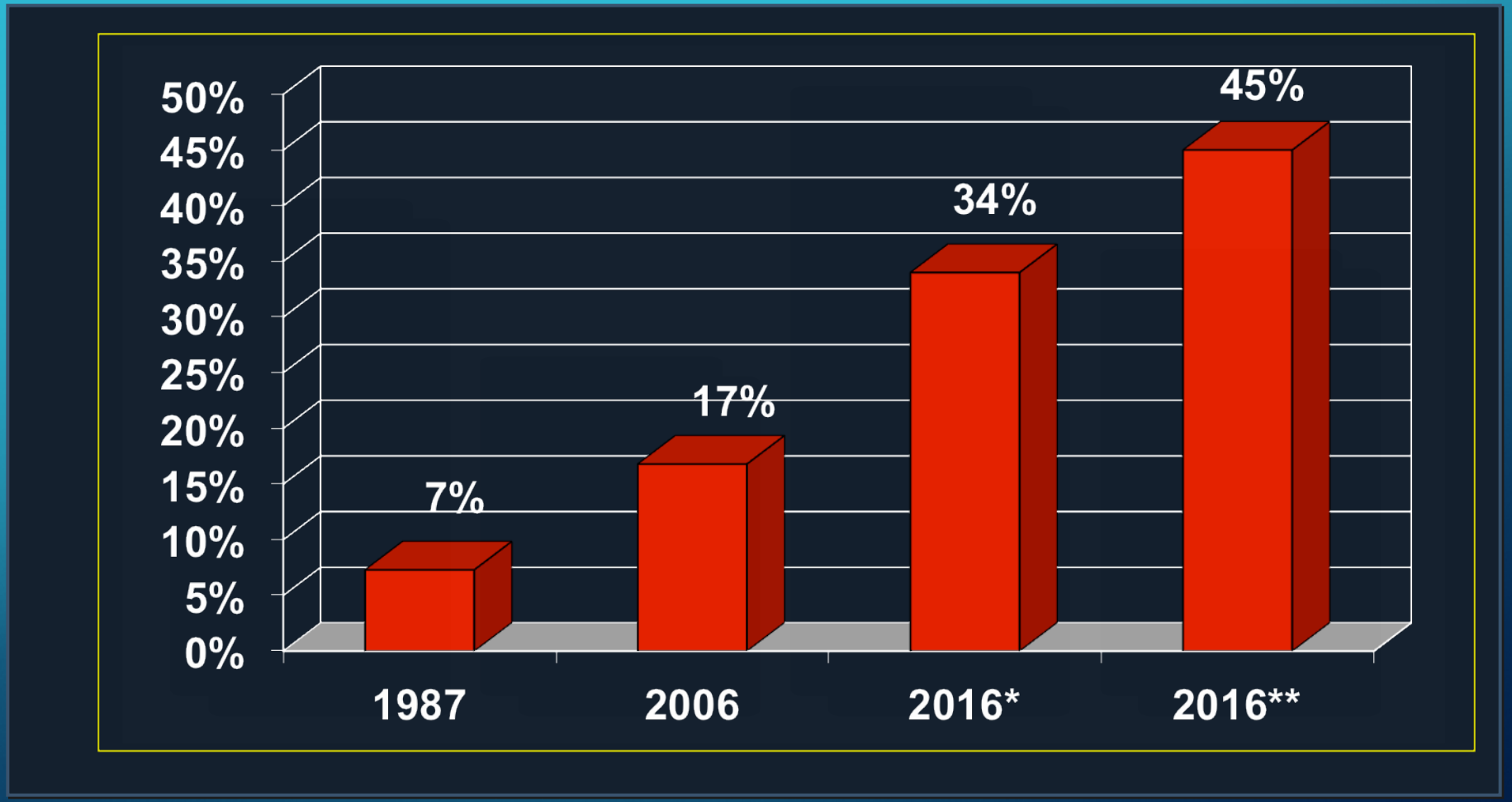
  A SINGLE ADMINISTRATIVE AND REGULATORY SYSTEM
- AND WE'RE SUBJECT TO TOO MUCH CORPORATE PROFITEERISM, AND SOME OTHER ISSUES….

David returns to Florence after 6 months in the US

WHAT ABOUT HAWAI`I?

- COMMONWEALTH STATE HC STATUS REPORT 2025
  - Highest rate of insured people (96%)
  - Lowest insurance cost and overall healthcare costs
- BEST OUTCOMES FOR CHRONIC DISEASE GENERALLY…
- THE BEST LONGEVITY OF ALL STATES IN THE U.S.
- GREAT HEALTHCARE SYSTEM FOR A SMALL STATE
- BUT, ARE WE LEADING STATES LIKE WE DID IN THE NINETIES?

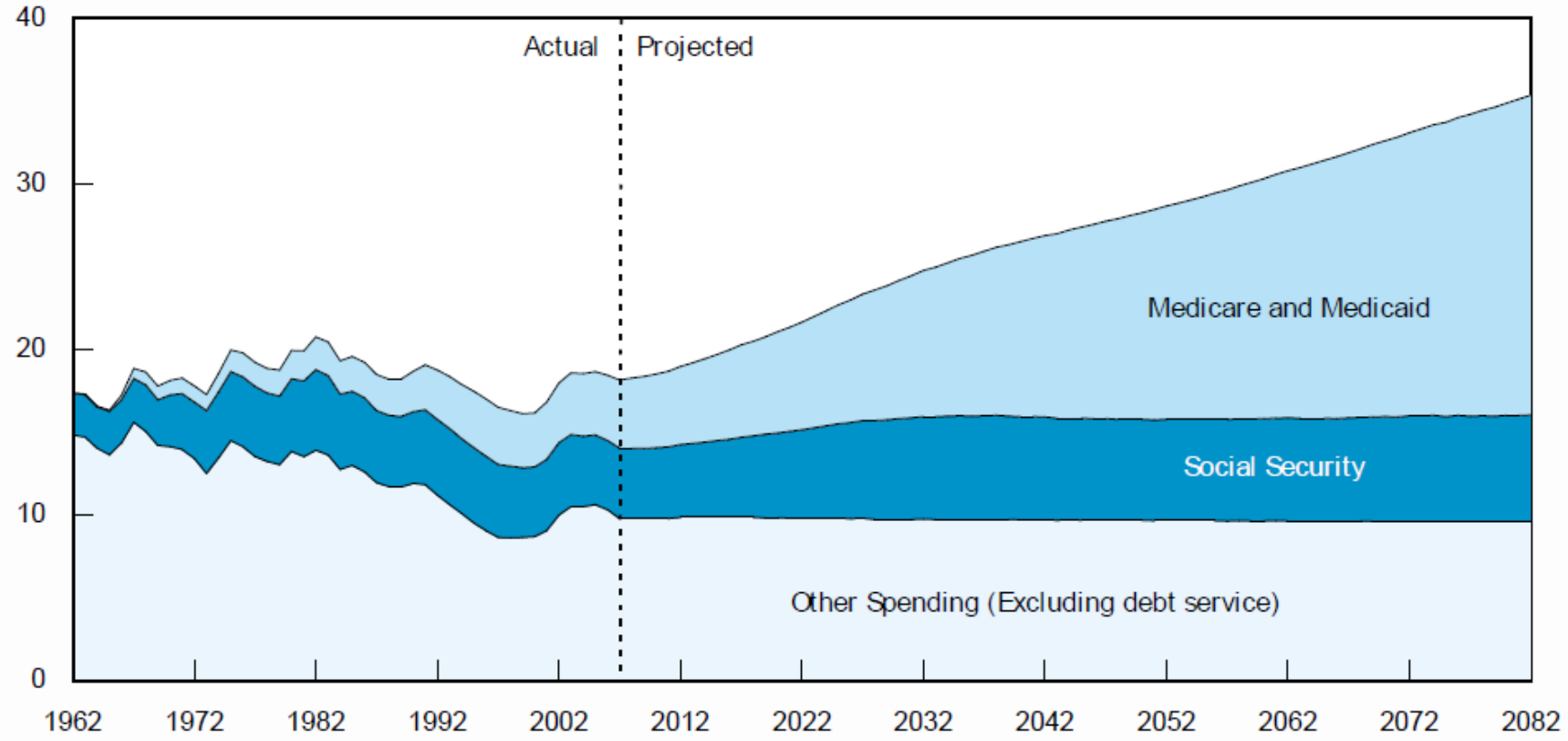
PERCENT OF MEDIAN FAMILY INCOME REQUIRED TO PURCHASE FAMILY HEALTH INSURANCE



Source: Author's calculations, using KFF and AHRQ premium data, CPS income data, plus projections from Carpenter and Axeen, The Cost of Doing Nothing

Long-Term Fiscal Gap and Health Care Costs

Percentage Share of GDP



Source: CBO (2007)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WE BASICALLY HAVE TWO ECONOMIC HEALTH CARE OPTIONS:

WE CAN CUT CARE;
OR WE CAN IMPROVE CARE”

SO, WE HAVE TO FOCUS ON VALUE

AND THE VALUE WILL BE BOTH ACHIEVING BETTER HEALTH OUTCOMES, AND AT LOWER COSTS

AND THAT’S WHERE PREVENTION IS SO IMPORTANT

A DAY OF RECKONING APPROACHES

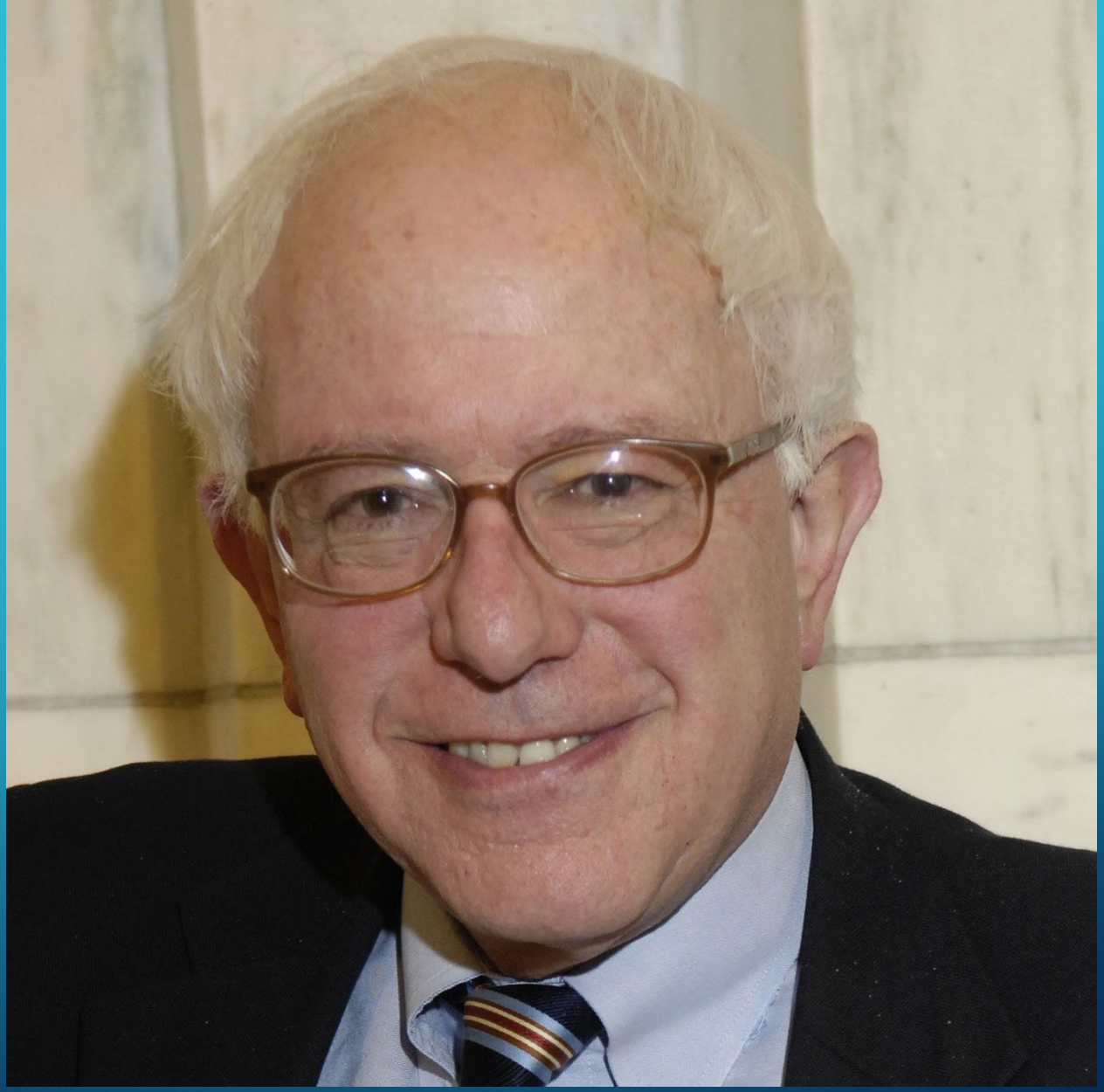
THE GOP PLAN

OOPS! WHAT IS IT?

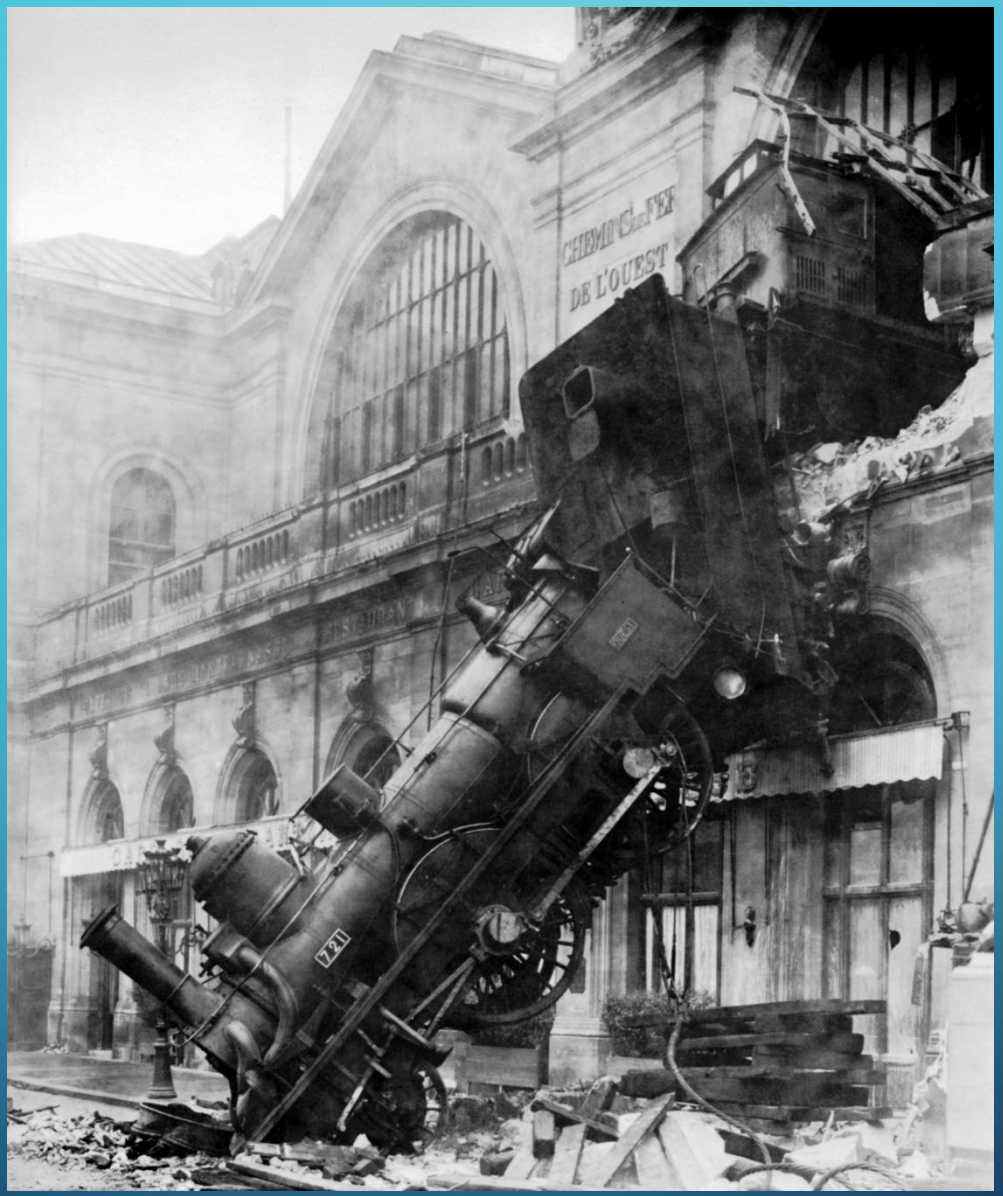
THE DEM PLAN

I MEAN, MULTIPLE SEMI-CONTRADICTORY PLANS

MEDICARE FOR ALL



WHERE IS THE CONGRESS LIKELY HEADED?

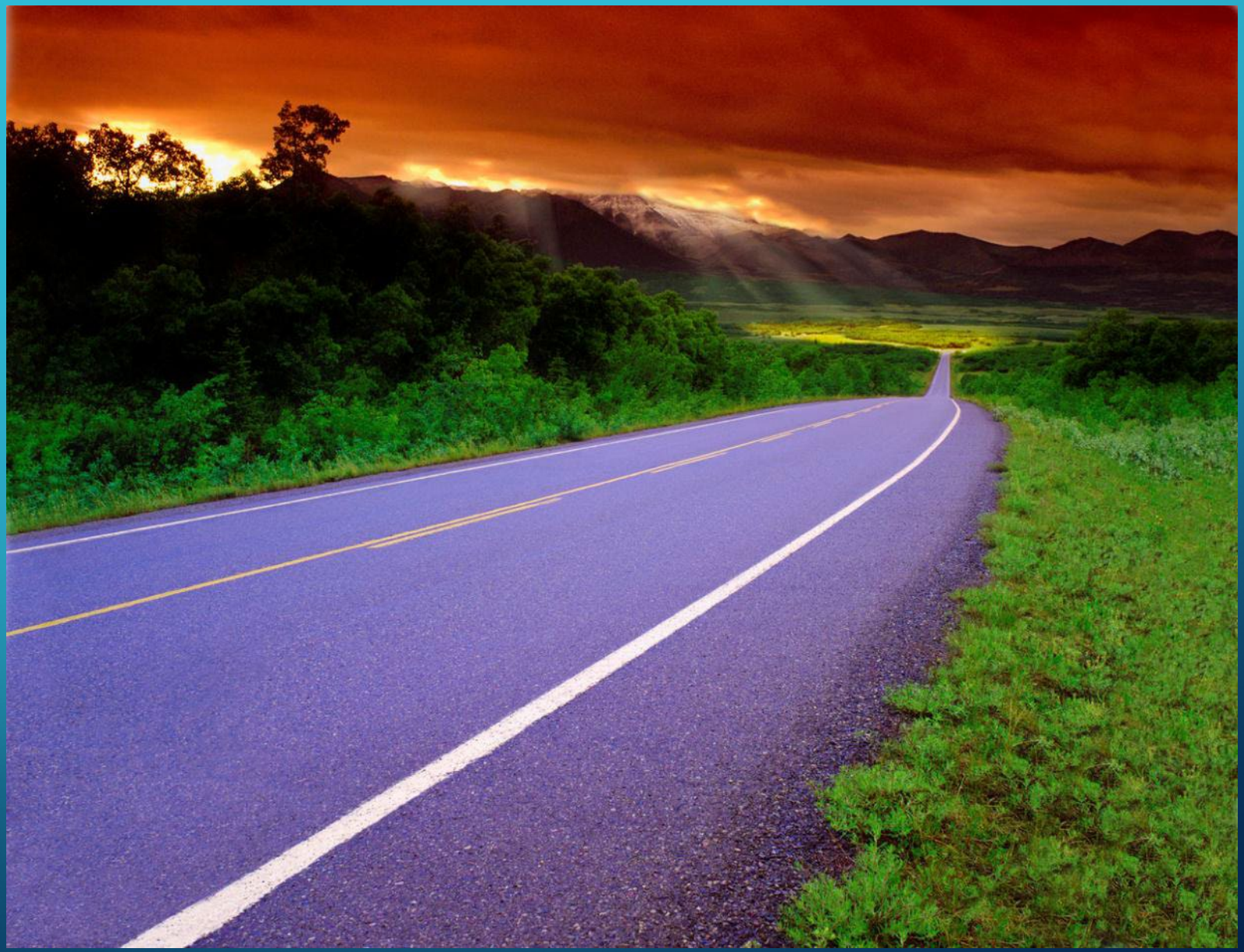


Train wreck at Montparnasse Station, Paris, 1895. Studio Lévy & fils.

A CHOICE BETWEEN
BEING ON VS. UNDER THE BUS

WHAT DOES HAWAI`I NEED?

1. UNIVERSAL ACCESS TO HIGH-QUALITY AND AFFORDABLE HEALTHCARE
2. IMPROVE ACCESS TO CARE BY FIXING OUR WORKFORCE SHORTAGES, INCLUDING USE OF TELEHEALTH, FIX TRANSPORTATION GAPS, AND HUGELY EXPAND TRAINING PROGRAMS –FOCUS ON RURAL AREAS AND NEIGHBOR ISLANDS
3. DOUBLE THE INVESTMENT IN PRIMARY CARE (FROM <5% TO >12%)
4. EXPAND ALL TECH RESOURCES – EHRS, BROADBAND AND WIFI, RPM, AND SHARE DATA BROADLY: THE APCD, HIE, AND A STATEWIDE QUALITY OF CARE DATA HUB AND CARE COORDINATION HUBS TO MAKE BEHAVIORAL HEALTH AND HRSNS EFFICIENTLY AVAILABLE
5. MOVE FROM FFS REIMBURSEMENT TO POPULATION HEALTH PAYMENT MODELS (EXCEPT FOR PREVENTION SERVICES)
6. ALLOW OUR KŪPUNA TO LIVE AT HOME AS LONG AS POSSIBLE
7. FOCUS ON PREVENTION AS PART OF EVERY STEP ABOVE



PUBLIC HEALTH AND HEALTH CARE

NEED TO BE HOLDING HANDS

“THE BEST WAY TO PREDICT THE FUTURE IS TO CREATE IT.”

~Peter Drucker

HEALTHY HAWAI`I SUMMIT

Update on Achieving Healthcare Efficiency Through Accountable Design (AHEAD)

December 05, 2025

Judy Mohr Peterson, PhD

Med-QUEST Div. Administrator; Medicaid Director, State of Hawai`i

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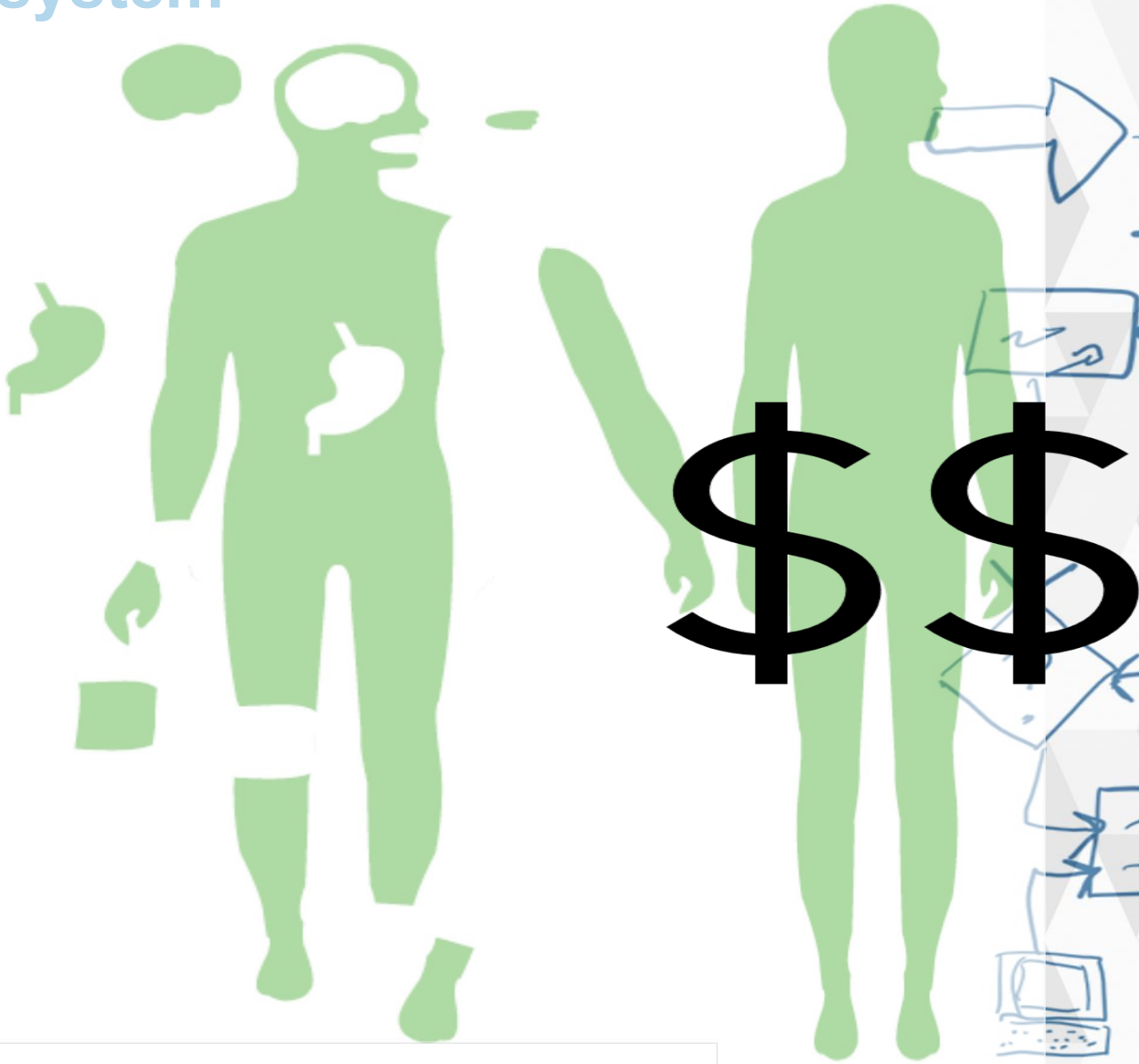
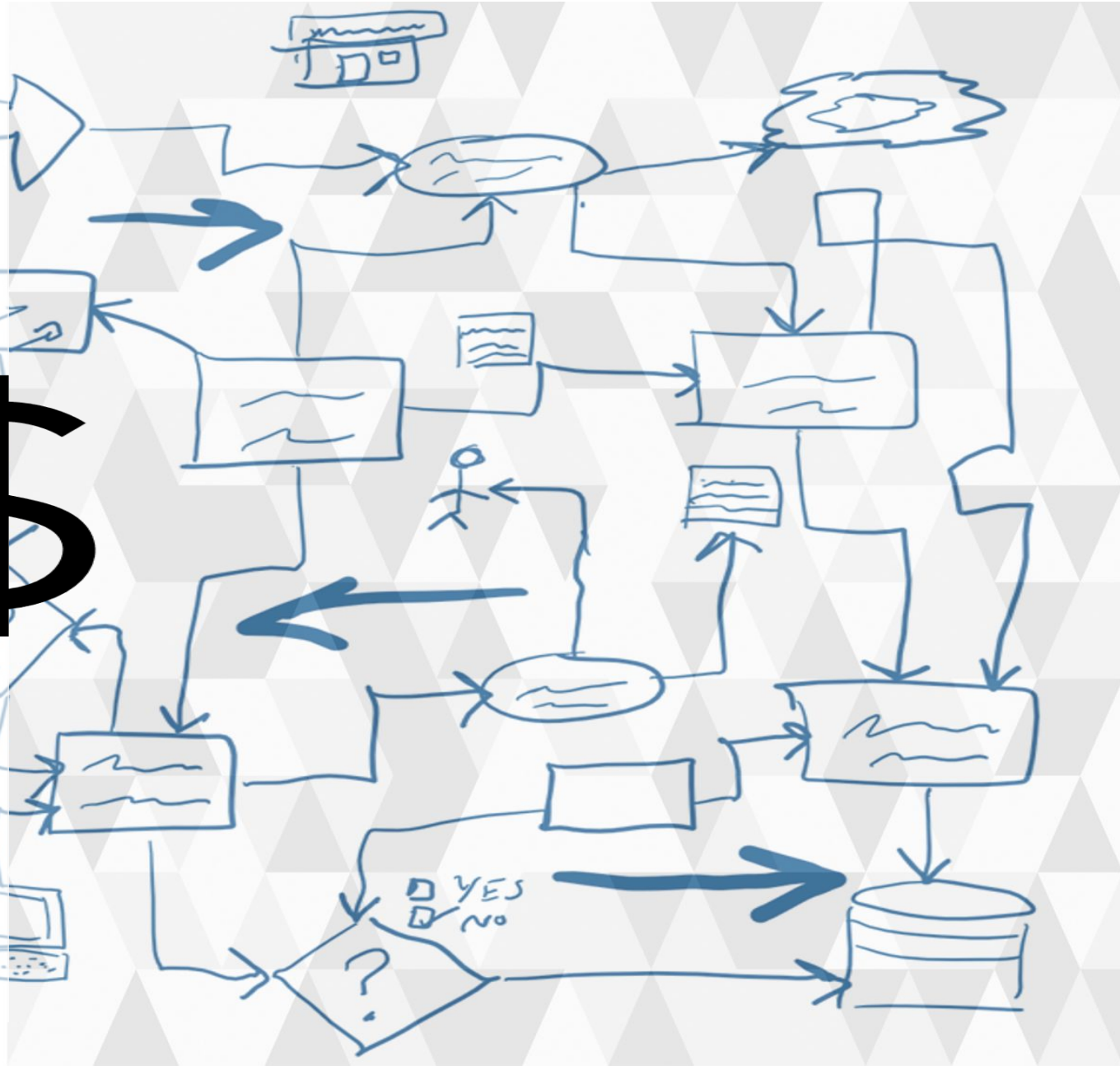
Why Change? Fragmented, confusing and expensive healthcare system





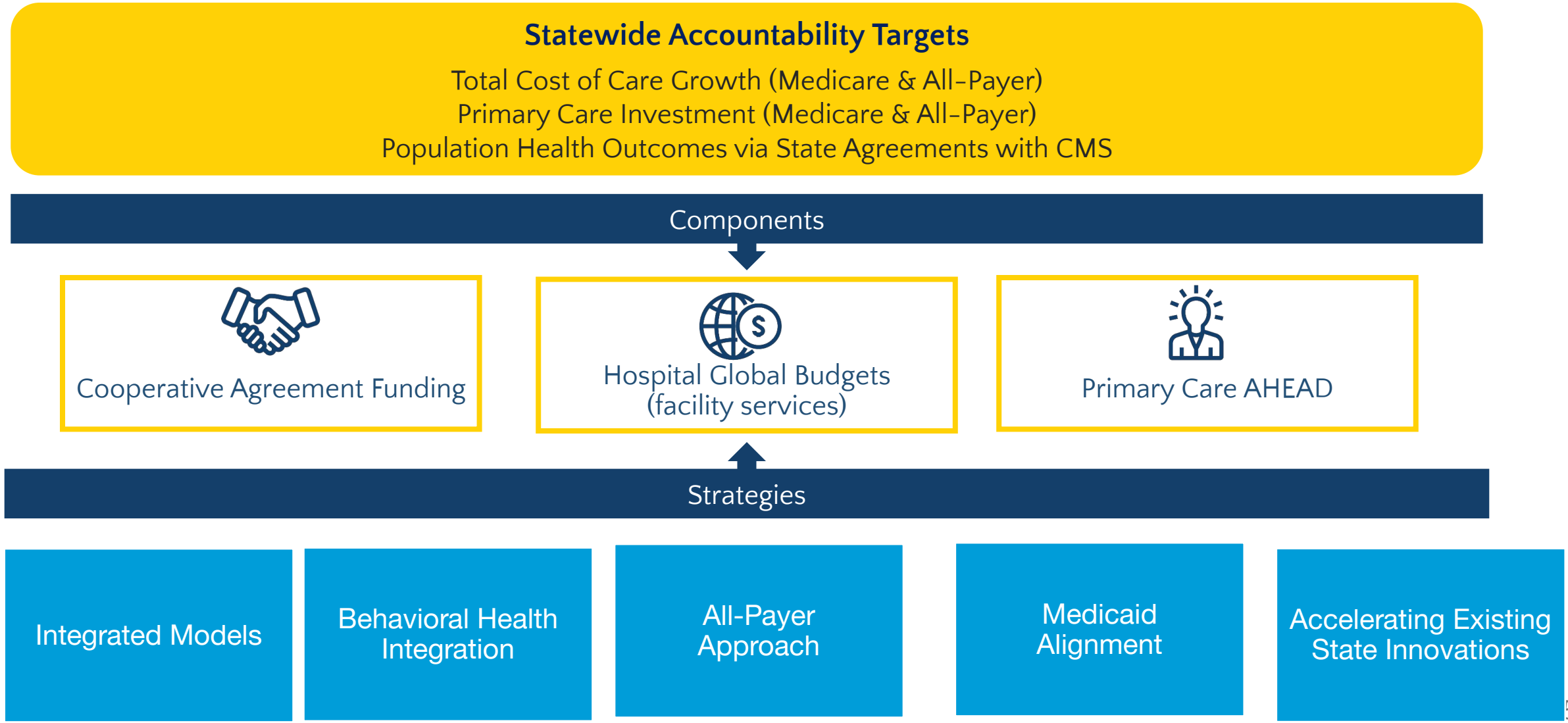
Achieving Healthcare Efficiency Through Accountable Design (AHEAD) Model Grant

Med-QUEST with the State Development of Health Policy and Development Agency (SHPDA) headed by Dr. John (Jack) Lewin successfully applied for a cooperative agreement for the AHEAD Model.

The AHEAD model is a ten-year Cooperative Agreement that will focus on payment transformation for hospitals and primary care so that financial incentives are aligned with improved population health and community well-being. Hawai`i is one of 6 states to have been chosen to participate in this model.

AHEAD Model At-A-Glance

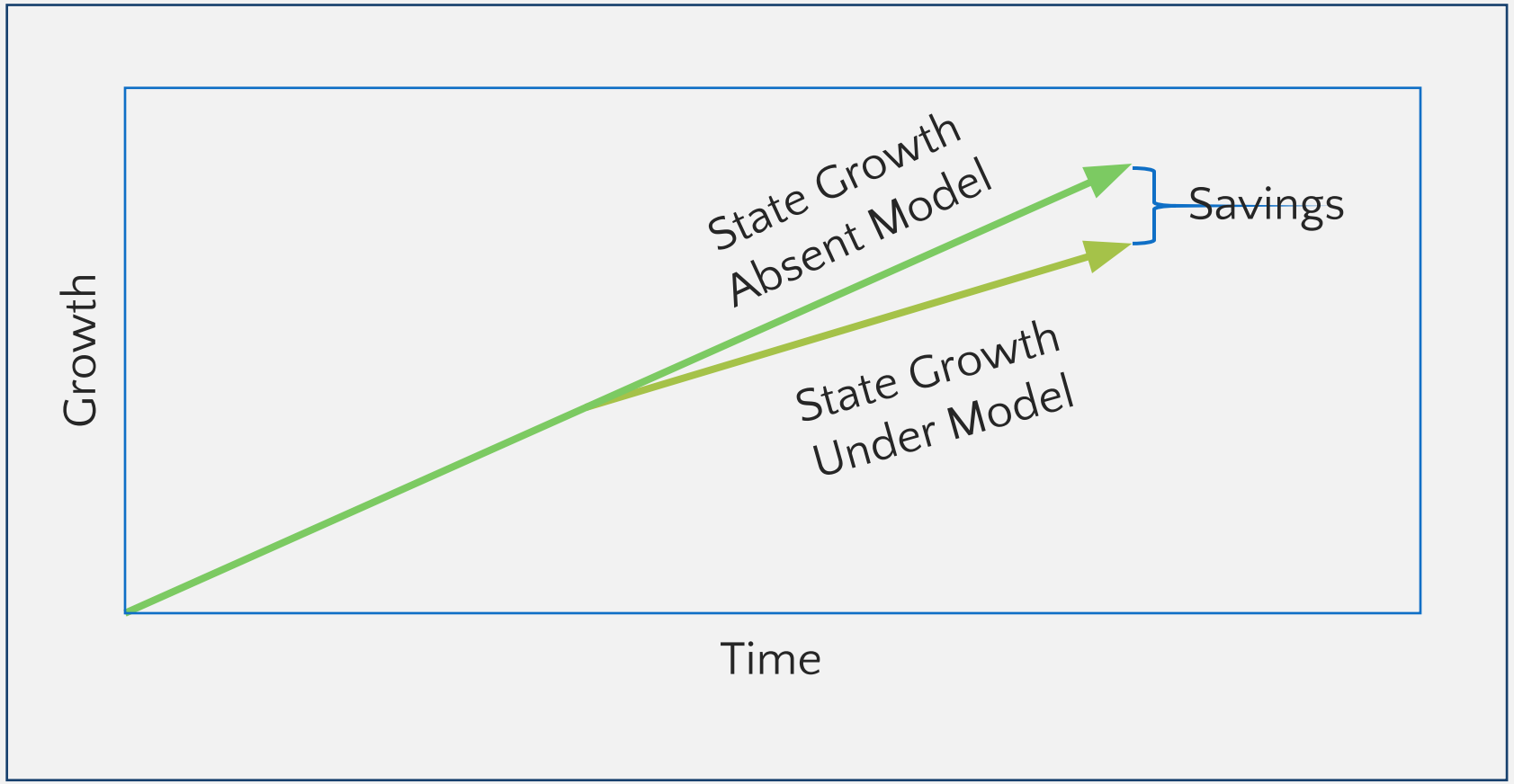
The AHEAD Model is a flexible framework designed to improve health outcomes across multiple states.



Medicare FFS TCOC Targets

AHEAD was developed in alignment with affordability and cost growth containment efforts underway in states across the nation, and the Medicare TCOC target holds states accountable for "bending the cost curve" for Medicare Part A and Part B expenditures of resident beneficiaries. By holding states accountable for cost growth, CMS hopes to support states in achieving a more affordable cost trajectory and increased long-term sustainability. CMS will work with each state during the pre-implementation period to set state-specific Medicare FFS TCOC growth targets.

Medicare TCOC Growth and Savings to CMS Under the AHEAD Model



Primary Goals of AHEAD -

The primary objectives of AHEAD are to:

1. **Stabilize Hospital Revenue and Decouple Revenue from Volume**
   - The hospital global budget continues to pay hospitals based on current revenue levels plus inflation, quality adjustments.

2. **Shift Health Care Resources to Improve Overall System Effectiveness**

Specifically:

- Incentivizes shifting care to lower cost settings, where clinically appropriate
- Increase primary care resources
- Improve population health by shifting costs to preventative health, helping avoid the use of higher cost settings
- Reduce unnecessary hospital utilization (e.g., emergency room visits, excessive length of stay, readmissions)
- Enhance care coordination
- Reduce unnecessary variations in quality, access, wellness, and outcomes measures

Because hospital revenue is decoupled from volume and tied to quality and total cost of care outcomes, hospital revenues can increase while implementing these improvements.

3. **Control the rate of growth of total cost of care**

CY Q4 2024

- AHEAD Cooperative Agreement Started

CY Q1 2025

- Established AHEAD governance structure
- Started stakeholder engagement
- Procured consultants (Milliman)

CY 2026 – 2027

- Continue stakeholder engagement
- Develop methodologies for hospital global budgets, primary care alternative payment methodologies, and measuring total cost of care
- Prepare for implementation

CY 2028 – 2034

- Performance Years - Implementation

Hawai`i Population: Medicare FFS vs Medicaid Estimates

Medicare FFS and Medicaid enrollees have vastly different demographic characteristics, largely driven by differences in age. Both programs include people who are older than 65 and who are disabled.

Population	Medicare FFS	Medicaid
Enrollment (2021)	145,600	442,300
Enrollment Eligibility	100% of enrollees qualify because of age or disability status	Approximately 15% of enrollees qualify because of age or disability status (60k)
Age	~90% age 65 or older	~10% age 65 or older ~33% age 18 or younger
Other distinct features	~1.5% of enrollees with End State Renal Disease	Medicaid pays for 33% of births in Hawai'i

Source: Medicare Newly Enrolled Beneficiaries by Type of Entitlement | KFF; Total Number of Medicare Beneficiaries by Type of Coverage | KFF;

Hospital Global Budget

Background and purpose

- Hospital Global Budgets (HGBs) provide a **steady, predictable revenue source**, and incentivize hospitals to contain or reduce potentially avoidable utilization **without harming revenues**
- AHEAD model includes HGB for both Medicare FFS and Medicaid; while Medicare FFS HGB methodology has been established by CMS, MQD has some flexibility in establishing the Medicaid HGB approach (subject to federal approval)
- MQD has a number of policy decisions and considerations that must be finalized within the framework of CMS requirements

AHEAD Advanced PCP Criteria DRAFT April 2025

CMMI provided additional detailed requirements about the primary care program criteria that it will use to assess if a State's Medicaid primary care program meets the Model definition for AHEAD

Care transformation and Care Management

Medical Home Model

1. Eligibility
2. Clinician Standards
3. Primary Care Coordination

Service Integration Standards

4. Health Promotion Activity Integration
5. Behavioral Health Integration
6. Specialty Care Integration

Alternative Payment Model

7. Performance Accountability
8. Enhanced Primary Care Investment

Alignment with Med-QUEST Managed Care Quality Strategy Goals

The Medicaid Primary Care APM will align with Med-QUESTs quality strategy goals and objectives

The quality aspects of the Enhanced Primary Care Payment to align with Med-QUEST's quality strategy goals.

1. Advance primary care, prevention, and health promotion
2. Integrate behavioral health with physical health across the continuum of care
3. Improve outcomes for high-need, high- cost individuals
4. Support community initiatives to improve population health
5. Enhance care in LTSS settings
6. Maintain access to appropriate care
7. Align payment structures to improve health outcomes

Elements of Capitation

Health plans would be required to offer an APM under uniform and approved rules to all eligible practices

Advanced tiers
- Additional categories of advanced practice capabilities
- Capitation enhancements based on capabilities
- Eligible for quality bonuses

Intermediate tier
- Expanded practice capabilities
- Eligible for quality bonuses

Base tier
- Minimal practice requirements
- Ineligible for quality bonuses

- Need to determine what resources are needed to support practices in their expansion of capabilities
- Potential role for Provider Organizations in supporting tier readiness and determinations for tier elevation
- Certain “strategic services” will be carved out and paid FFS


Mahalo!