



AlohaCare

Aloha is the difference

Faith, Hope, a Lot of Hard Work

And

“...Just a Little Bit of Luck!..”

An Informal History of AlohaCare

By

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The Prequel

*“Managed Care is coming!
Managed Care is coming!
Fee-for-service is out.”*

Rich Bettini

As the election clouds loomed over Washington, D.C. in the early 1990s, it was clear that one of the big issues for the upcoming presidential campaign was going to be health care. With the fall of the Berlin Wall and the subsequent ending of the Cold War, less and less was being invested in defense contracts and more attention was focused on the **“medical industrial complex.”** Significant amounts of money began to be invested in the infrastructure of the American health care delivery system.

With rising costs and an unlimited desire to acquire the best and most expensive care, the cost of health care was fair game for the politician.

After 12 years of the Reagan - Bush Administration (1980-1992) Community Health Centers (CHCs) found themselves like tumbleweed blowing along a prairie looking for a place to latch on to. For a number of years it was clear that the traditional fee-for-service system was slowly eroding. Clearly one of the major factors contributing to the escalation of health care costs was a system insulated from the traditional market forces of supply and demand.

The Clinton Administration, Hillary Clinton in particular, took aim at the out-of-control cost of health care in an ill fated attempt at “Health Care Reform.”

Could Community Health Centers survive in a managed care environment?

With the survival of Community Health Centers at stake, the Waianae Coast Comprehensive Health Center (WCCHC) began to look at the ramifications of this evolution. Mike Tweedell, Administrator, Rich Bettini, Assistant Administrator, and Rio Banner, M.D., Medical Director, spent many hours with people from the National Association of Community Health Centers (NACHC) exploring the feasibility of developing a managed care program in Waianae that would help control costs and provide quality health care in a Community Health Center environment.

Parallel to this discussion the Federal government funded the establishment of a Statewide Primary Care Association in Hawaii. As the Primary Care Association began to develop a life of its own in the early 1990's one of the top items on the agenda was to respond to the impending creation of managed care organizations to rein in out-of-control Medicaid budgets.

At the National Governors Association John Waihee (Hawaii-D) and Bill Clinton (Arkansas-D) struck up a friendship. When Clinton became President Waihee introduced him to the Hawaii Prepaid Health Care Act as a model for the nation. Under the Waihee Administration Hawaii

became “**The Health State.**” With Jack Lewin, M.D., Director of Health (DOH), and Winona Rubin, Director of Human Services (DHS), a number of attempts were made to create the kind of health care reform that would “make a difference.”

The first priority was to provide some relief to the “gap group.” A state sponsored program called “State Health Insurance Program,” or SHIP, was designed to meet the needs of the gap group that made too much money to qualify for Aid to Families with Dependent Children/ Temporary Assistance for Needy Families (AFDC/TANF) and too little to afford commercial health insurance. “*Too rich to be poor; too poor to be rich.*” SHIP provided a range of basic benefits but also required some co-payment.

Tweedell and others began discussions out in Waianae about the establishment of a Managed Care Organization (MCO) to serve the people on the Leeward coast. They came up with the name “Aloha Care” and registered it with the State Department of Commerce and Consumer Affairs (DCCA).

At the same time people in the Governor’s Office began to examine the state’s Prepaid Health Care Act to look at ways in which the state could extend coverage to even more people. At the time the state’s population was around 1.0 million and the uninsured rate was estimated to be about 9% or 90,000-100,000 individuals.

Medicaid, a health insurance program for low income people paid for with state funds and matched with federal dollars, was looked at as a way to demonstrate that cost could be contained if it were in a managed care environment. In Hawaii Medicaid is housed in the Department of Human Services (DHS).

Medicaid as it is usually structured is made up of two very distinct groups:

1. Low income individuals receiving financial assistance, usually women and children, and
2. The “Aged, Blind and Disabled,” or ABD. Some of the individuals in this second group may also require Long Term Care (LTC) in nursing homes or at home health care services.

There are other smaller programs under Medicaid that are composed of individuals who are mandated by law to be included (mandatory) and groups that the state may choose to cover.

In order for a state to change the way in which it operates the Medicaid Program it has to apply to the Health Care Financing Administration (HCFA), now called the Center for Medicare and Medicaid Services (CMS), for a waiver from the statutory requirements as stated in the Medicaid law. A “*Section 1115 Waiver*” allows for demonstration, pilot and experimental programs.

The new program would be called QUEST:

Quality Care,
Universal Access
Efficient Utilization
Stabilizing Cost
Transforming the way health care is provided

In 1994 the Department of Human Services implemented the QUEST Demonstration Project, a federally approved Section 1115 Medicaid waiver project *to demonstrate the efficacy of a managed care approach to state funded health care services.*

Initially QUEST incorporated the three formerly fee-for-service programs: AFDC/TANF, General Assistance and the State Health Insurance Program.

1. The first group to be included would be those people who were on AFDC/TANF, or Aid to Families with Dependent Children (now called Temporary Assistance to Needy families – TANF). Under Medicaid rules this is a “Mandatory Group” and must be covered. The usual description of these individuals is that they are families, primarily women and children, on welfare. Up until this point Medicaid was often referred to as “welfare medicine.”
2. The second group to be included was individuals on General Assistance, a state sponsored program providing financial assistance to individuals who do not meet AFDC eligibility and are unable to work, such as single men.
3. The third group would be those on SHIP, the state sponsored health program for the “gap group.”

The Aged, Blind and Disabled (ABD) and Long Term Care (LTC) groups would continue to be in the fee-for-service program and would be brought under managed care at a later date as part of a series of planned expansions of the QUEST program. QUEST II (ABD/LTC) was originally to be brought on line in 1997.

The first Med-QUEST Administrator at DHS was Winifred Odo. It was under her administration that all of the rules, regulations, procedures and contracts were developed. She was also very supportive of the new QUEST Program and of AlohaCare’s involvement.

AlohaCare Phase I

*Meetings:
A place where you keep minutes
And lose hours.*

Early in 1992 and 1993 there were rumors that the state might apply for an 1115 Waiver, thereby allowing the state to create a managed care system to provide health care to people on Medicaid. In response to those rumors the Waianae Coast Comprehensive Health Center (WCCHC) began to have discussions with DHS. The waiver request became public in spring of 1993 and the race was on.

Initial discussions began to take place between WCCHC and the Hawaii Primary Care Association about the feasibility of a Community Health Center sponsored Managed Care Organization. Soon representatives from all of the Community Health Centers were invited to join the discussion. Meetings were held in the conference room of Kaumakapili Church on N. King Street, the original site of the Kalihi Palama Health Center. The informal group quickly became organized.

Nearly all of 1993 and 1994 were consumed with meetings. All of the Community Health Centers and the Hawaii Primary Care Association were represented. Among the individuals who put in a great deal of time were:

- Blaine Bergeson, Managed Care Solutions
- Rich Bettini, Associate Administrator, Waianae Coast Comprehensive Health Center
- Jim Burns, Managed Care Solutions
- Frank Chong, Executive Director, Waikiki Health Center
- Ric Custodio, Medical Director, Kalihi Palama Health Center
- Chuck Duarte, Administrator, Queen Emma Clinics
- Beth Giesting, Executive Director, Kalihi Palama Health Center
- Bob Grossman, Executive Director, Hawaii Primary Care Association
- Bob Hee, Kapiolani Medical Center for Women and Children.
- Kawahine Kamakea-Ohelo, Executive Director, Waimanalo Health Center.
- Susan Maley, Executive Director, Bay Clinic
- Judd McNamara, UH Faculty Practice
- Mike Tweedell, Administrator, Waianae Coast Comprehensive Health Center
- Jory Watland, Executive Director, Kokua Kalihi Valley

Also invited to the discussion were representatives from the University of Hawaii's John A. Burns School of Medicine (JABSOM) and people representing the Faculty Practice at JABSOM. Additionally, there were representative from interested hospitals such as Kapiolani and St. Francis.

Dr. Christian "Chris" Gulbrandsen, Dean of JABSOM, indicated that JABSOM was in the

process of forming a Faculty Practice Plan that could be a partner with the CHCs and become a risk partner for specialty care.

The decision to incorporate as a health plan and to bid on the new QUEST managed care program meant that a decision had to be made on three critical issues: first, money – how much would it cost to prepare a bid and where would the money come from; second, who could write a winning bid to be submitted to the QUEST program; and third, if the bid was successful how to manage for success.

The group began a national search for a management company that was qualified to prepare the QUEST bid application and possibly manage the organization if the proposal was approved. After evaluating several bids from interested companies, Managed Care Solutions, Inc. (MCS), located in Phoenix, Arizona was selected. MCS had a track record of success in the highly acclaimed acute care and long-term care Arizona Medicaid programs.

MCS assigned its two most senior executives to the AlohaCare bidding process --- Blaine Bergeson, who managed the task of educating and recruiting providers as well as working with the constituent CHCs to further develop AlohaCare's corporate affairs --- and Jim Burns, whose primary responsibilities were preparation of the bid document, evaluation and fine tuning of the capitation rates compiled by an outside actuary.

Meetings were held with Kapiolani, St. Francis and Queen's about the possible capitalization of a CHC sponsored MCO.

The WCCHC Board of Directors agreed to relinquish the term "Aloha Care." The CHC group assumed the term for the purpose of giving a name to the organization and eventual legal entity. In a spontaneous moment it was decided to delete the space between the two words and make it a single word with a capital "C" in the center for the formal title. It was now to be known as "**AlohaCare**" rather than "Aloha Care."

The summer of '93 was spent in meetings including a 2-day retreat facilitated by representatives from the National Association of Community Health Centers (NACHC). Included in the retreat were discussions about the need for the CHCs to make a commitment to AlohaCare to continue with the process and most importantly, to invest some capital into the project.

Bay Clinic, Kokua Kalihi Valley (KKV) and Kalihi Palama Health Center (KPHC) all contributed some capital and WCCHC invested additional capital of approximately \$300,000, plus the in-kind contribution of their Administrator, Mike Tweedell and their Medical Director, Rio Banner, M.D.

The Community Health Centers (CHCs) agreed to adopt a risk model and to partner with MCS. MCS agreed to assume responsibility for the initial application fee for the State Application. Gulbrandsen arranged for JABSOM to pay MCS to write AlohaCare's QUEST application for a

nominal fee of \$60,000.

The result was the submission of a bid proposal to the Med-QUEST administration that was approved.

A time consuming and arduous process was the drafting of the by-laws for this new organization and working out the “details.”

DHS then postponed the start up date of QUEST.

In order to be a legitimate contender the state required that AlohaCare have money in reserve to serve as collateral. Various organizations were approached, including St. Francis and Kapiolani, to partner in the endeavor. Most of the hospitals asked to have exclusive access to AlohaCare patients in exchange for a commitment of capital. AlohaCare declined the arrangement. Finally, the Queen Emma Foundation came through with a donation of \$1.5 million with no strings attached.

In December 1993, a bottle of champagne was “popped” at the Kalihi Palama Health Center acknowledging that there is no turning back.

By the end of 1993 all of the political stars were in alignment and the signs pointed to an exciting and challenging future.

- President: Bill Clinton - D
- Governor: John Waihee – D
- Lt. Governor: Ben Cayetano – D
- Director of Human Services: Winona Rubin
- Director of Health: Jack Lewin, M.D.
- Med-QUEST Administrator: Winnie Odo

AlohaCare Phase II

This is for real!

The Articles of Incorporation were signed on December 21, 1993 and filed with the Department of Commerce and Consumer Affairs on January 24, 1994. The Bylaws were adopted at the first meeting of the new organization on January 26, 1994. The initial address was 86-260 Farrington Highway, Waianae, Oahu, Hawaii

With \$1.5 million in the Waianae Branch of First Hawaiian Bank, Officers elected and Bylaws adopted a celebration lunch was held at the Burger King in Waianae. This was the real thing!

The initial Officers and Directors were:

- Michael Tweedell, Director, President and Secretary
- Elizabeth Giesting, Director, Vice President
- Judson McNamara, Director, Treasurer
- Frank Chong, Director
- Kawahine Kamakea-Ohelo, Director

The initial corporate members were:

- Bay Clinic
- Hamakua Health Center
- Hawaii Healthcare Associates, Inc.
- Kalihi Palama Health Center (Hale Ho'ola Hou)
- Kookia Kalihi Valley
- Managed Care Solutions
- Queen Emma Clinics
- Waianae District Comprehensive Health and Hospital Board (dba Waianae Coast Comprehensive Health Center)
- Waikiki Health Center
- Waimanalo Health Center

Most of spring 1994 was spent lobbying public officials both in the Legislature and in the Administration to deal with this new entity fairly and as a legitimate health plan. Members of the Board and the Officers participated in one-on-one meetings with legislators and administrators. Of utmost importance was to protect Community Health Centers in every aspect of the proposed QUEST program.

The management contract with MCS was signed with the understanding that at some point in the future AlohaCare may wish to directly administer the health plan itself.

MCS/AlohaCare then went to work developing a provider network and data systems interfaces.

In February meetings were held in Washington, D.C., with the National Association of Community Health Centers (NACHC) to develop a national strategy to protect CHCs in the managed care environment. NACHC filed a lawsuit on behalf of all CHCs to void all Section 1115 Waivers. The lawsuit was eventually withdrawn.

In March and April 1994 negotiations were held with DHS regarding application and rates. DHS accepted a risk model with PCPs and facilities in lieu of a cash reserve requirement.

From March to June negotiations were held with the Faculty Practice Plan to assume their discounted lease on office space, a former Apple Computer Office, on the 12th floor of the Bank of America Building (later known as the American Savings Building) at 1357 Kapiolani Boulevard, Suite 1250. AlohaCare took over the lease and in June 1994 it became the official location of AlohaCare.

Between April 1993 and March 1994 over 400 hours of meeting time was logged by the Board of Directors to develop the structure, governance, organization and financing of AlohaCare.

On June 29, 1994 Governor John Waihee signed into law the state budget which created the new QUEST program providing managed care health insurance for low income people.

In retrospect it was rather miraculous birth. People “in the know” predicated that it would be virtually impossible for a health plan like this to start from scratch and have any hope of survival.

AlohaCare Phase III

*“Everyone was on the phones.
No Lunch. Everyone had to work!”*

Pua Kalawa

QUEST went “live” on August 1, 1994 and AlohaCare officially began serving its 16,000 members. The first day was spent on the phone answering questions such as “Is my provider on your list?”

The first few months were spent matching members with their providers and recruiting new providers.

When AlohaCare opened for business in August 1994 its first Executive Director was Michael Tweedell, previously the Administrator of the Waianae Coast Comprehensive Health Center. All individuals working on behalf of the AlohaCare health plan were MCS employees.

Blaine Bergeson continued traveling between Arizona and Hawaii supporting the provider network and recruiting providers. Finance, Claims, Information Systems, and other Corporate Support Services were handled by MCS in Phoenix. Member Services, Provider Relations, Clinical Services and local administrative services were handled by AlohaCare in Hawaii.

Initially, Behavioral Health was outsourced to Florida Psychiatric Management (FPM), a division of Ramsey Corporation, a national organization specializing in psychiatric services.

AlohaCare Phase IV

“Swimming with the Sharks”

The first three years were a blur. Having survived the start-up phase without going bankrupt meant that AlohaCare would have to take the next step. The greatest fear was not failure but success. Success meant that there were patients that depended on AlohaCare, providers that wanted AlohaCare, employees who were loyal to AlohaCare and a Board of Directors that believed in AlohaCare.

During AlohaCare’s first three years an amazing amount of changes took place internally, externally and with QUEST itself.

AlohaCare and MCS worked together to submit a successful proposal when the QUEST program was re-bid for the first time in 1996. AlohaCare was successful on all islands and services were expanded to include Maui.

When Mike Tweedell was asked to be in charge of the MCS/AlohaCare Hawaii Operations he stepped down as President of the Board of Directors in June of 1994.

Beth Giesting was President from July 1994 until February 1995. Beth left the Kalihi Palama Health Center to become the Executive Director of the Hawaii Primary Care Association and felt that it was a conflict to be President of AlohaCare and the Executive Director of the Hawaii Primary Care Association simultaneously. Hence, she stepped down from the position.

Frank Chong, Executive Director, Waikiki Health Center, completed her term serving as President from February 1995 until Chuck Duarte, the new Executive Director of Kalihi Palama Health Center and former director of the Queen Emma Clinics, succeeded him in July 1995. Chuck continued in the role of President until he was offered the position as Med-QUEST Administrator at DHS in late 1996.

Jory Watland, Executive Director of Kokua Kalihi Valley, followed him. Kawahine Kamakea-Ohelo, Executive Director, Waimanalo Health Center, followed Jory. And Rich Bettini, Administrator, WCCHC, followed her.

A clear pattern emerged whereby all of the Presidents of the Board of Directors were from the Community Health Centers.

Many other things began to happen at the same time.

In February 1996 Michael Tweedell accepted a position as an MCS Regional Vice President and moved to Phoenix.

In March 1996 John McComas was hired as AlohaCare's Executive Director. He came to AlohaCare after 18 years at Hawaii Medical Services Association (HMSA), Hawaii's Blue Cross/Blue Shield plan.

In Fall 1996 the Claims Processing was transitioned from Phoenix to Hawaii.

In late 1996 and early 1997 a Behavioral Health Department was created in the Hawaii office when the behavioral health services contract with FPM was terminated.

In 1997 the political alignments began subtle changes:

- President: Bill Clinton
- Governor: Ben Cayetano
- Lt. Governor: Mazie Hirono
- Director of Human Services: Susan Chandler
- Director of Health: Larry Miike
- Med-QUEST Administrator: Chuck Duarte

AlohaCare was successful in the 1997 rebid. The rebid included a Dental Services Contract and AlohaCare organized a Dental Department.

AlohaCare filed a suit against DHS contending that the Risk Factor Adjustment (RFA) that the state was using was inadequate and unfair to AlohaCare. Because AlohaCare was a Community Health Center sponsored health plan it would by definition have a disproportionate number of high risk individuals. The matter went to court and continued to be under litigation until September 2005 when a settlement was reached between the parties. The settlement could not have been reached were it not for the extra ordinary efforts of all involved.

In 1998 much discussion was taking place about consolidating all administrative services to Hawaii and AlohaCare began the process of transitioning services provided by MCS in Arizona to Hawaii.

In 1999 a new rebid was issued and again AlohaCare was successful on all islands.

Slowly membership numbers began to climb from 16,000 to 22,000 and then 28,000.

In August 1999 John McComas was named the Chief Executive Officer of AlohaCare by the Board of Directors. He was the **“first real official AlohaCare employee.”** He was given the task of completing the transition plan to bring all functions in-house to Hawaii.

In November 1999 all employees and all services were brought to Hawaii and AlohaCare became the employer of record. Plans to transition the corporate finance and information systems functions were soon developed.

MCS had also undergone a number of changes. In 2000, AlohaCare and MCS (whose name had now changed to Lifemark, Inc) reached an agreement to conclude the management contract which resulted in all employees and all management functions being transferred to AlohaCare in Hawaii. The transition from Lifemark, a Herculean task of monumental proportions, including the conversion to a new Information System and the transition of all finance functions to Hawaii, was completed in 2000.

Lifemark continued its successes in Arizona and expanded its flagship long-term care program to other states such as Texas. In 2000, Lifemark was purchased by United HealthCare of Minnetonka, Minnesota, one of the country's largest health care plans and incorporated as part of EverCare, a long term care subsidiary of United.

Across the country other Community Health Center sponsored Managed Medicaid Health Plans began to emerge and an organization called the Association of Health Center Affiliated Health Plans (AHCAHP), now known as the Association for Community Affiliated Plans (ACAP), was organized with AlohaCare playing a major leadership role in its formation. AlohaCare was a health plan model that was emulated by other plans that had a CHC focus. The organization is located in Washington, D.C., and is co-located with the National Association of Community Health Centers (NACHC). Among the challenges being addressed was lean state finances that translated into a squeeze on health plans to provide the same or more services with no increase in capitation.

In the Fall of 2002 George W. Bush – R was elected President and a new political landscape began to take shape.

- President: George W. Bush – R
- Governor: Ben Cayetano – D (2nd Term)
- Lt. Governor: Mazie Hirono - D (2nd Term)
- Director of Human Services: Susan Chandler
- Director of Health: Bruce Anderson
- Med-QUEST Administrator: Aileen Hiramatsu

AlohaCare Phase V

*“If you want to run with the big dogs
You have to get off the porch.”*

The transition of the finance and information systems functions were the two most challenging components of bringing all operations to Hawaii.

A new management information system was selected to support AlohaCare’s business and data processing needs. QMACS, from a company called QCSI (Quality Care Systems, Inc), was the system selected. Converting historical data to the new system was a challenge and required numerous staff and consultants to help with the conversion. Bringing in a new system and having it on line in 5 months was one of AlohaCare’s most successful accomplishments. It was a dramatic decision for the organization but catapulted AlohaCare into the next generation of managed care systems management and set a standard for the local community. At the time it was the fastest installation that had ever occurred for this particular type of software.

Administrative Support, Behavioral Health, Case Coordination, Case Management, Claims, Clinical Operations, Corporate Development and Compliance, Customer Service, Finance, Human Resources, Information Systems, Medical and Clinical Management, Provider Network, Public Relations and Marketing, Public Policy, Quality Improvement, Special Projects, and everything else needed to run a health plan was now housed at 1357 Kapiolani Boulevard.

The next rebid was in July 2002. Again AlohaCare was successful on all of the islands that it bid on. This time it declined to bid on the Dental Services Contract, as did all of the other QUEST plans, due to the limits placed on it as described in the RFP.

After the dust settled three of the original six plans decided for financial reasons not to bid – Kapiolani, Straub, and Queen’s. Some of these plans had predicted from the beginning of QUEST that AlohaCare could not survive. The remaining three plans were AlohaCare, Kaiser and HMSA.

AlohaCare’s market share increased significantly.

- QUEST–31%
- Oahu-30%
- Kauai-65%
- Maui-23%
- Big Island-35%

Not only did AlohaCare get off the porch and run with the Big Dogs it suddenly found itself to be the second largest QUEST Health Plan with 43,000 members and the 3rd largest health plan in the state.

In 2002 subtle changes began to take place at on the national level. The Bush Administration began to look more closely at what it considered an out of control Medicaid budget.

Cayetano's years in office paralleled a down turn in the Hawaii economy that often seemed to be in "free-fall." "*September 11, 2001*" almost broke the back of a fragile tourist industry. The Bishop Estate Trustees cast a pall over the entire state with their questionable acts. Trust in government and large institutions hit an all time low. The overall tone of the times was to "hunker down." Nothing new or creative would be encouraged. Bruce Anderson replaced Larry Miike as Director of Health. Susan Chandler served as Director of Human Services for eight years. Aileen Hiramatsu followed Chuck Duarte as Med-QUEST Administrator.

The First Decade

On opening day, August 1, 1994, there were 15 employees. By mid-2003 there were 85 employees. AlohaCare occupied parts of 2 floors of the American Savings Building. It was the 75th largest company in Hawaii with \$87 million in revenue, a net worth of \$15 million and a network of 1,800 providers.

Of the original 15 employees 2 were still with AlohaCare:

- Rio Banner, MD, Medical Director
- Pua Kalawa, Administrative Team Manager

As stated in the by-laws the Board of Directors has a majority of Community Health Center representatives. Of the original Community Health Center members all of the representatives had changed but their organizations were still represented.

- Bay Clinic – Stephanie Launiu succeeded Susan Maley
- Hamakua Health Center – Susan Hunt succeeded Potter Swartz and Gail Walker
- Kalihi Palama Health Center - May Akamine succeeded Chuck Duarte and Beth Giesting
- Kokua Kalihi Valley - Geoff Pang (KKV BOD President) succeeded Jory Watland
- Waianae - Rich Bettini succeeded Mike Tweedell
- Waikiki – Phil Kunnicut (Waikiki BOD President) succeeded Frank Chong
- Waimanalo – Chuck Braden, succeeded Kawahine Kamakea-Ohelo

Added to the Board were:

- Community Clinic of Maui - Dana Howerth succeeded Carlayna Nakamura
- Hana Community Health Center - Cheryl Vasconcellos
- Queen Emma Clinics - Kathy Coughlin

Other community members were added to the Board to provide a balanced Board for the complexities of a managed care organization including representatives from

- Papa Ola Lokahi
- JABSOM
- and other individuals with specialized knowledge and interests.

The addition of “non-CHC” board members brought a new and rich diversity to the Board. “Non-CHC” board members included:

- Dave Bess, College of Business Administration, University of Hawaii
- Hardy Spoehr, Papa Ola Lokahi
- Jim Burns, Health Care Consultant

- Dawn Hoffman, Finance
- Russell Saito, Attorney
- Ed Cadman, Dean, JABSOM

Other people who have served on the Board of Directors at sometime in the past include

- Laura Trosino
- Martha Smith
- Paul Tom
- Rose Ann Harrigan

What happen to some of the key figures in the first 10 years of AlohaCare's history?

- Jim Burns retired as the CEO of MCS in 1998 moved to Kona, Hawaii, and in 2002 joined the AlohaCare Board of Directors.
- Frank Chong left the Waikiki Health Center in 2002 to become Manager, Government and Community Relations at AlohaCare in 2003.
- Chuck Duarte left his position as Med-QUEST Administrator to become the Medicaid Administrator for the State of Nevada.
- Chris Gulbrandsen retired as Dean of JABSOM and was succeeded by Ed Cadman
- Carlayna Nakamura left the Community Clinic of Maui for Hale Makua Long Term Care.
- Potter Swartz left the Hamakua Health Center for the Waikiki Health Center and later with Hospice Hawaii in Hilo.
- Michael Tweedell left MCS to become Deputy Director of Health, Riverside, California
- Gail Walker left the Hamakua Health Center for Kaiser Permanente in Hilo

The MCS/Lifemark and AlohaCare partnership, spanning nearly seven years between 1993 and 2000, was truly a pioneering event in the history of Hawaii health care. MCS, then still a relatively small company --- and AlohaCare and their member CHCs, written off by local pundits as having no realistic chance of establishing a successful health plan --- combined their efforts to compete on a par with several much larger and deep pocketed health plans in Hawaii to establish and bring to maturity the AlohaCare of today.

AlohaCare, the Next Generation

*Every morning in Africa, a gazelle wakes up.
It knows it must run faster than the fastest lion
Or it will be killed...
Every morning a lion wakes up.
It knows it must outrun the slowest gazelle
Or it will starve to death...
It doesn't matter whether you are a lion or a gazelle.
When the sun comes up you had better start running
AFRICAN PROVERB*

At the beginning of its second decade AlohaCare was faced with the challenge of moving forward. Nothing in health care ever stands still so the challenge was not only to keep up with the changes, but also to be at the front end of the curve.

In January 2004 the Board adopted five Strategic Directions

- Strategic Direction #1: Strengthen current business model.
- Strategic Direction #2: Promote AlohaCare as a top tier Hawaii HMO. We will be recognized as having a community-based model of care, specializing in the collaborative coordination of care for the medically underserved most fragile populations.
- Strategic Direction #3: Diversification – carefully seek business growth opportunities consistent with AlohaCare’s mission, values, expertise and experience.
- Strategic Direction #4: Strengthen health care clinical quality outcomes provided by AlohaCare’s provider network.
- Strategic Direction #5: AlohaCare will create an accessible high-quality primary health care system that is service oriented and is provider and member sensitive.

Taking steps to implement the strategies began right away.

In 2004 QUEST also began its second decade. HRS 423E, Patients Bill of Rights and Responsibilities, requires that all managed care plans, including QUEST Plans, be accredited by a national organization reviewing managed care organizations by January 1, 2005. Accreditation by the Utilization Review Accreditation Commission (URAC) was sought and a 3 year accreditation was achieved. For a “first time attempt” this was quite a feat. The reviewers made many positive comments during the review and AlohaCare received a “perfect score.” Most important, AlohaCare met the state requirements.

AlohaCare was also up for review by the External Quality Review Organization (EQRO), an external organization contracted by the State of Hawaii to examine the practices of managed care companies. This review also went very well.

All of these external audits and reviews put a lot of stress on the system but in the end AlohaCare found that it was a much stronger organization and that its business model is capable of keeping up with the changes in a very fluid and often hostile environment.

The biggest challenge at the beginning of the second decade was broadening AlohaCare's product line. Heretofore AlohaCare's focus had been solely on the low income beneficiaries of Medicaid, the QUEST member.

As the state began plans to expand the QUEST managed care concept to the Aged, Blind and Disabled (ABD), including Long Term Care (LTC), populations under a program called QUEST Ex, health plans were notified that those that were Medicare Certified will be given "extra credit" in the bidding process.

A commitment was made to diversify the product line and become "Medicare Certified." Consequently, AlohaCare Advantage and AlohaCare Advantage Plus became a focused effort for everyone. Special emphasis was placed on the "dual eligibles," those individuals who are eligible for both Medicare and Medicaid. AlohaCare began to focus on the health care needs of the underserved and most fragile members of the community who are 65 years old and older.

AlohaCare Advantage serves the general Medicare population while AlohaCare Advantage Plus allows AlohaCare to serve and coordinate the care of those individuals who are "dual eligibles."

This effort focused on two strategic directions: a) continued focus on the medically underserved and the most medically fragile members of our communities, and b) diversifying the product lines.

In preparation for Medicare the Center for Medicare and Medicaid Services reviewed AlohaCare's operations. Also in preparation for Medicare numerous interviews, focus groups and "talk story session" were held with advocates, providers and consumers of Medicare services. In anticipation of Medicare Part D (January 2006), the Marketing Department led many educational seminars in the community.

In September 2005 AlohaCare's Medicare contract was approved by CMS for coverage starting January 1, 2006 for both the **AlohaCare Advantage** and **AlohaCare Advantage Plus** product lines.

The Department of Human Services announced that it anticipated that in 2007 it will roll out

QUEST Ex, managed care for the “Aged, Blind and Disabled (ABD)” population. AlohaCare intends to provide services to these groups. This will further diversify AlohaCare’s product line.

AlohaCare’s focus continued to be on the underserved, low income and vulnerable members of our community through government sponsored health insurance programs. AlohaCare continued to learn as much as possible about the special challenges faced by these individuals. Assuring a smooth transition into managed care plan from the fee-for-service system is a very high priority.

Information technology changes constantly. It was decided to bring more and more technology “in house” and major efforts were needed to make that transition. Additionally, prudent disaster planning also required AlohaCare to have secured off site back up systems for all essential information. (The system was put through an unexpected test during the October 15, 2007 earthquake when all of Oahu lost power for approximately 12 hours and 1357 Kapiolani Boulevard was without power for almost 36 hours.) Software applications are being constantly updated and training of staff on new applications is a regular part of employee training.

These anticipated expansions require an even more diverse workforce and appropriate support services to assure that the needs of a diverse membership are met. One of the obvious strengths of AlohaCare is a multi-ethnic/multi-lingual workforce that is able to provide culturally and linguistically appropriate services to its membership.

In the public policy area AlohaCare had a regular presence at the state legislature and developed ongoing relationships with the Hawaii delegation in Congress.

By Fall 2005 AlohaCare had approximately 50,000 members, a network of 3,600 providers, and annual revenues of \$110 million. AlohaCare was the 74th largest business in the state with 114 employees. AlohaCare occupied parts of the 8th, 10th and 12th floors at 1357 Kapiolani Boulevard as well as a satellite office in Hilo, Hawaii with three employees.

On the Board of Directors May Akamine, Executive Director, Kalihi Palama Health Center, succeeded Rich Bettini as President. May eventually resigned as President to take the position of Executive Director of the Koolauloa Community Health and Wellness Center. Susan Hunt, Executive Director, Hamakua Health Center succeeded May as President of the Board of Directors.

The beginning of the second decade also brought some policy changes. With a new Governor also came a new Director of Human Services and new administrators for the Med-QUEST Division. The Hawaii economy began to right itself and more money was put into the Med-QUEST programs. The new administration also inherited the “risk factor adjustment” lawsuit. It hung over AlohaCare like a black cloud and seemed to color most of our conversations with DHS. At times it felt like we were the being treated like a naughty child. When the suit was finally settle in 2005, after 7 years, it felt a though we had finally triumphed over the myth of Sisyphus.

One of the more dramatic events in the public policy arena was turning back the state's attempt to carve out pharmacy from the QUEST program.

The political landscape changed dramatically.

- President: George W. Bush – R. 2nd Term.
- Republicans continue to hold a majority in both the House and Senate in Washington, D.C.
- Congress is under a mandate to reduce the Medicaid budget by \$10 billion in five years.
- Hurricanes Katrina and Rita were devastating to the Gulf Coast States and there were major concerns about how much Federal help will be available for the health care needs of those displaced and if there would be a ripple effect creating competition for the federal health care dollar. Most of the federal administrators in DHHS and CMS moved on and a new crop of bureaucrats took their place. Relationships with key bureaucrats would have to be developed.
- Governor: Linda Lingle. First Republican Governor in Hawaii in 40 years is still in her first term.
- Lt. Governor: James “Duke” Aiona, R
- Director of Health: Chiyome Fukino, M.D.,
- Director of Human Services: Lillian Koller, Esq.
- Med-QUEST Administrator: Angie Payne was appointed Acting Administrator in late Spring 2005. Aileen Hiramatsu was reassigned to the Department of Health. For a time Lillian Koller was Acting Administrator. Steve Kawada continued to be Assistant Administrator.

A Perfect Storm

A new generation and new challenges greeted AlohaCare in 2006.

The new year brought with it a new cadre of Board Members, new leadership at the Community Health Centers, new members in the legislature and new mandates from Congress and the Center for Medicare and Medicaid.

At the beginning of 2006 AlohaCare occupied space on the 8th, 10th and 12th floors at 1357 Kapiolani Boulevard. Space on the 11th floor was acquired when it became available.

All of the changes and expansions into Medicare also meant changes in staffing and infrastructure. Overseeing all of this continued to be Chief Executive Officer, John McComas. He provided the leadership, stability and continuity through all of the organizational changes.

The most immediate challenge was to “roll out” Medicare Advantage and Medicare Advantage Plus on January 1, 2006. Both products required the attention of a large number of staff. Medicare Part D, the Medicare Drug Benefit Program, had its own unique characteristics and learning the Medicare lexicon was a challenge for everyone.

Immediately on the heels of the Medicare start-up was the opening of the Hawaii State Legislature. The session took many twists and turns. Added to the drama was the issuing of the QUEST Re-bid RFP in March. The Re-Bid RFP was almost a year late. The original Re-bid Contract Year was supposed to begin with an effective date of July 2005.

One of the provisions of the new RFP was the requirement that all 165,000 QUEST members must “positively re-enroll.” In other words, all current members would have to re-choose a Plan and possibly a PCP when the new contract period was renewed for the Plans.

AlohaCare anticipated that “Positive Re-enrollment” would be a disaster and looked to the Legislature for relief. Through a series of very complicated legislative procedures a Resolution and a Bill (SB 2043) were introduced to do away with the re-enrollment provision.

This effort took a monumental amount of time from the Public Policy Department and key administrators at AlohaCare. AlohaCare proposed that “positive re-enrollment” be deleted from the RFP. As a last minute compromise the Conference Draft (CD1) placed a 5% limit on auto-assignments for beneficiaries who did not respond to the re-enrollment requirement. The compromise passed in the Senate but in the final hours the proposal failed in the House.

A new RFP was required when it was discovered that DHS had not followed standard procurement procedures. While we “lost” in the legislative arena we were able to significantly change parts of the RFP so that there were important “safety net” features in the new RFP.

By summer it was clear that the planets were aligned for a perfect storm and everyone had their work cut out for them.

- Positive/Mandatory re-enrollment was designed to increase competition in the QUEST marketplace. We predicted as much as a 40% auto assignments because of the lack of response to the mandatory re-enrollment. Our Marketing efforts focused almost exclusively on the re-enrollment issue – **“Choose or Lose”**. The Mandatory re-enrollment was to take place in November and December 2006 with the new contracts going into effect on February 1, 2007.
- Congress passed the Deficit Reduction Act (DRA) in February 2006. Included in the act was a provision that requires all current and new applicants for Medicaid to provide proof of citizenship in order to qualify for Medicaid. The rules were very stringent and it is anticipated that it will cause significant problems. (The rules were re-interpreted to allow institutionalized beneficiaries to be waived from the requirement.) We anticipated a number of people falling off the roles because of this new requirement.
- The election of 2006 would be right in the middle of all of the mailings to Medicaid beneficiaries and would no doubt flood mailrooms and stuff the mailboxes of all Hawaii Residents.
- Along with all of the political advertising, Christmas Catalogs, mandatory enrollment information, and information on Citizenship Requirements we all expected a **“perfect storm of total information overload”** to take place around Thanksgiving.
- Eventually everything was again postponed and Positive Re-enrollment did not take place until April 1-May 31, 2007. The effective date of the new contracts was postponed until August 1, 2007.

Political line-up, 2006

- President: George W. Bush – R, 2nd Term
- Governor: Linda Lingle – R, 2nd Term
- Lt. Governor: James “Duke” Aiona- R, 2nd Term
- Director of Health: Chiyome Fukino,, M.D.
- Director of Human Services: Lillian B. Koller, Esq.
- Med-QUEST Administrator: Angie Payne, (Resigned in July 2006)
 - Wes Mun, appointed to begin in August 2006
- Chair Senate Human Services Committee: Suzanne Chun Oakland
- Chair Senate Health Committee: Roz Baker
- Chair House Human Services: Alex Sonson
- Chair House Health: Dennis Arakaki

AlohaCare Board of Directors, July 2006

- David Bess
- Richard Bettini, MPH, Immediate Past President, Waianae Coast Comprehensive Health Center

- James (Jim) Burns, Treasurer
- Kathy Coughlin, Queen Emma Clinics
- Dawn Hofmann
- Dana Howeth, Vice President, Community Clinic of Maui
- Susan Hunt, President, Hamakua Health Center
- Allen K. Kanno, Kokua Kalihi Valley
- Phil Kinnicutt, Secretary Waikiki Health Center,
- Emmanuel Kintu, Kalihi Palama Health Center
- Russell K. Saito
- Hardy Spoehr, Papa Ola Lokahi

2007 The Year of the Boar

“Year of the Boar.” will be
“...*one of benevolence,*
one with a lot of ‘feel good factors’,
one of ‘abundance’
and a good year for business.
Life in this year will be lived to the fullest
and although there will be uncertainty it will be minimal.
It is a rich year with impetuous acts,
but care is recommended with any matters concerning money.”

The Boar is the symbol for great courage and integrity. Some famous “Boar People” include Hillary Rodham Clinton, Chiang Kai-Shek, Woody Allen, Lucille Ball, Billy Crystal, Steven Spielberg, Arnold Schwarzenegger, Thomas Jefferson, Dudley Moore, Farrah Fawcett, Robert Dole, Jerry Lee Lewis, Henry Kissinger, Marie Osmond, Ralph Waldo Emerson and the Dalai Lama.

2007 began with abundance.

After the close of the 2006 Legislative Session DHS issued a new QUEST RFP. Throughout the summer there were numerous amendments to the RFP.

Angie Payne, Med-QUEST Administrator resigned and moved to the mainland when her husband received a new assignment. Wes Mun was appointed to the position in August 2006.

A section in the RFP regarding “Conflicts of Interest” raised some concerns for AlohaCare because it would have required Community Health Centers to agree to contract with any health plan that had a contract with the state. We felt that this was clearly an attack on AlohaCare and the Community Health Centers. Numerous discussions were held and eventually the amendment was softened to make it less objectionable.

The deadline to submit the RFP was delayed numerous times. The final date for submission of the Technical and Business Proposals was October 3, 2006. The awards date was set for November 13, 2006

On November 8, 2006, awards were announced.

- Oahu: AlohaCare, HMSA, Kaiser, Summerlin
- Kauai: AlohaCare, Kaiser, Summerlin. (Kaiser eventually withdrew from Kauai and was replaced with HMSA.)
- Maui: AlohaCare, Kaiser, Summerlin
- Hawaii: AlohaCare, HMSA, Summerlin
- Molokai: AlohaCare
- Lanai: AlohaCare

When the auto-assignment algorithm results were announced it was even more surprising. The

algorithm design is biased in favor of two factors:

- 1 The quality of the bid submitted, and
- 2 The lowest bidder.

When the results were in it was announced that AlohaCare would receive the following auto-assignments:

- Maui, Molokai and Lanai: 100%
- Hawaii Island: 96%
- Kauai: 94%
- Oahu: 90%

While AlohaCare lost the positive re-enrollment battle it certainly won the war.

When the Positive Re-enrollment period closed on May 31, 2007, approximately 75% of the 153,000 eligible beneficiaries had made choices.

Again, AlohaCare won the bid for all of the islands that it bid on. The contract year was postponed until August 1, 2007. For the first time AlohaCare will be serving beneficiaries on all of the islands including Molokai and Lanai.

DHS issued an RFI for QUEST EX and announced that the planned roll out will not be until July 2008.

The political landscape took on some major changes. In Washington the Democrats took over both chambers and the President now must face a hostile congress. With the War in Iraq taking a major portion of the Federal Budget Congress is wrestling with how to balance the budget. There is great concern that limits will be placed on Medicare and Medicaid as well as on the State Children's Health Insurance Programs.

In Hawaii Linda Lingle was re-elected to a new four-year term. There were 15 new faces in the State Capitol: 13 in the House and 2 in the Senate. Fortunately, AlohaCare has had a good working relationship with most of the key players in both chambers.

The 2007 Legislative Session was interesting if not exciting. Toward the end when we were able to help increase the Medicaid reimbursements for physicians in both the fee-for-service and QUEST Programs. Proposals to eliminate the premium tax for for-profit companies failed early in the session. It was touch and go but in the end an attempt to place a cap on health plan reserves was deleted from the rate regulations bill.

Lillian Koller was re-confirmed by the State Senate as Director of the Department of Human Services. In May, after the session as over, Wes Mun was suddenly removed as Acting Med-

QUEST Administrator and Lois Lee was appointed in his place.

In anticipation of expansion due to the auto-assignments additional office space was acquired on the 9th Floor at Ala Moana Pacific Center, 1585 Kapiolani Boulevard.

Yes, things do come in abundance and 2007 should be a very good year for AlohaCare.

Personal Observations

“Fools rush in where angels fear to tread.”

After 25 years as the Executive Director of the Waikiki Health Center I joined AlohaCare as Public Policy Specialist on January 1, 2003 which evolved into Manager, Government and Community Relations in Summer 2005. In retrospect most of us involved in the Community Health Center movement had no idea what managed care was all about. When Rich Bettini kept talking about managed care we were all sure he was crazy. When there was discussion about forming our own MCO to protect our CHCs from managed care we all felt like St. George trying to slay the Dragon.

AlohaCare was and is a miracle in the best sense of the word. It has never lost a bid on any island that it bid on. This cannot be said of other plans. Like Community Health Centers the focus of AlohaCare as always been on the needs of its members, the low income people in our community.

With nothing more than faith, hope and a lot of hard work and “just a little bit of luck” we have been able to succeed where others have failed and we succeeded during some very difficult times here in Hawaii as well as abroad.

One can only attribute our success to the dedication, hard work and the “aloha” given by everyone involved with AlohaCare.

Aloha is what makes the difference!

Pau!

Frank A. Chong, M.S.W., M.Div.
Manager, Government and Community Relations
AlohaCare
2003-present
Executive Director Waikiki Health Center, 1977-2002
AlohaCare Board Member, 1994-2002
AlohaCare, Board President, February - July 1995

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