



Community hospitals affiliated with KAISER PERMANENTE.

January 8, 2025

**Representative Kyle Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair
Members of the House Finance Committee**

RE: RELATING TO MAUI HEALTH SYSTEM
Hearing Date - January 8, 2025, at 2 p.m.

Aloha Chair Yamashita, Vice Chair Takenouchi and Members of the Committee,

Thank you for allowing me the opportunity to submit testimony regarding our budget appropriation requests for the 2026 and 2027 fiscal years. Act 103, SLH 2015, codified as HRS Chapter 323F, Part IV ("Act 103") provides for operating and capital subsidies for Maui Health System ("MHS") in connection with its operation of the hospitals. Under HRS §323F-58 and the terms of the Transfer Agreement signed January 14, 2016 between MHS and Hawai'i Health Systems Corporation, the State of Hawai'i, and the Maui Region of Hawai'i Health Systems Corporation (the "Transfer Agreement"), MHS may request operating support payments annually based upon the amounts needed to cover any operating losses of the Hospitals plus a 2% margin, but the amount requested in any year may not exceed the amount appropriated to subsidize the operating costs of the Maui Regional System for the 2014 fiscal year, which was \$38 million. Under HRS §323F-59 MHS may also request support payments for its capital expenditures during the first ten (10) years of MHS' operations of the hospitals in an amount not less than \$6 million.

As you may be aware, I officially joined MHS as the Chief Executive Officer on January 1, 2024. I have worked closely with our team over the last year to understand the terms of the Transfer Agreement and the current financial position of Maui Health. I am honored to be here and serving the Maui and Lana'i communities.

We are grateful for the support provided by the Governor and the State Legislature in sustaining the health care system on Maui and Lana'i. Since our public/private partnership began, we have reduced our total state funding by over \$125 million.

Unforeseen challenges, including the global pandemic, the devastating wildfires on Maui and two labor strikes, have impacted the speed of our progress. While our pace has been slowed, the goal remains to provide high quality, reliable and accessible health care on Maui and Lana'i without taxpayer support.

Each year we care for over 50,000 patients in our emergency departments across central Maui, upcountry Kula, and Lana'i. In addition, Maui Health is the sole provider of inpatient psychiatric care on the island and absorbs the cost of those services. Despite progress, we face ongoing economic challenges and seek your continued support as we continue to move towards economic self-reliance and sustainability.

Our commitment extends to caring for over 100 kupuna in long-term care and skilled nursing in Kula and Lana'i, managing both hospitals at near full capacity. Our team continues to work with our community partners to reduce the number of kupuna waiting for access to long-term care or skilled nursing beds but continue to have over 25 patients living in the hospital, utilizing an acute care bed when they need long term care. On Maui, adequate long term care beds are available but remain empty, reportedly because there are not staff available to provide care. We absorb approximately \$4 million in costs while awaiting long-term care availability.

Extended lengths of stay for individuals without a safe discharge plan increase the cost of care in Maui by \$7 million per year. These patients include those who are houseless, have co-occurring substance use disorders, under treated mental illness, those needing an inpatient hospice bed, short term rehabilitation or those who simply need access to life saving antibiotic infusions that are unavailable in remote eastern Maui.

Looking ahead to State Fiscal Year 2026, hospital reimbursement from Medicare, Medicaid and Commercial Insurance companies is increasing by less than 3% while the cost of labor, medical supplies and drugs are forecasted to continue to outpace reimbursement. These facts require that we become more efficient to continue to progress toward our goal.

While these challenges are substantial, we believe they are solvable with sustained effort, funding, and collaboration with other agencies. Maui Health is committed to doing our part in this ongoing work to solidify health care services for our community. Your continued support is appreciated as we navigate these challenges and strive for a sustainable and self-reliant health care model.

Given the information noted above, Maui Health respectfully requests the state's assistance in continuing to provide care to the people of Maui and Lana'i by providing an operating subsidy of \$12 million for Fiscal Year 2026 and \$6 million for Fiscal Year 2027. We appreciate your consideration and will be available to answer questions at your request.

In kindness and appreciation,

A handwritten signature in black ink, appearing to read "Lynn Fulton". The signature is fluid and cursive, with the first name "Lynn" and last name "Fulton" clearly distinguishable.

Lynn Fulton

Chief Executive Officer