

HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

"Touching Lives Every Day"

June 30, 2008

Senator Colleen Hanabusa
President of the Senate
Office of the President, The Senate
State of Hawaii State Capitol
Honolulu, HI 96813

Representative Calvin Say
Speaker of the House
State of Hawaii State Capitol
Honolulu, HI 96813

Dear President Hanabusa and Speaker Say:

SUBJECT: Hawaii Health Systems Corporation Requests Emergency Action

Before and throughout the 2008 Legislative Session, Hawaii Health Systems Corporation (HHSC) both HHSC governance and HHSC management communicated to the Administration and the Legislature that significant FY09 supplemental funds would be required beyond scheduled appropriations in order for HHSC to continue to offer all levels of service provided in FY08. In addition, FY08 emergency appropriation (EA) funds were requested and appropriated for HHSC to enable all services to continue this fiscal year.

Although HHSC was spared from a four percent FY09 budget reduction levied upon other state agencies, the Legislature was unable to provide any additional FY09 supplemental funding beyond scheduled appropriations. Therefore, in accordance with provisions of HRS Section 323F-31 (Attachment A), we are requesting immediate approval to undertake elimination and/or reduction of direct patient services at HHSC facilities (Attachment B). We understand that Chapter 323F has no defined process for approval of a request such as this, especially when the legislature is not in session, so we are respectfully requesting our leaders of the House and Senate approve this request now with subsequent ratification when the legislature convenes. We are requesting your approval now because we cannot wait until the next legislative session to start these expense reductions. Our projections show that one or more of our HHSC facilities may be forced to close before the 2009 legislative session begins if action is not taken, so we need your assistance as soon as possible.

We are distressed that the impact of this request will limit services to our communities. However, without supplemental funding for FY09, HHSC must begin now to implement FY09 financial contingency plans in order to ensure patient safety in all services that we are able to continue to provide and still meet our financial thresholds. Failure to initiate financial contingency plans early in FY09 will potentially put patients at risk later in FY09 due to HHSC's inability to fully fund all services all year. Furthermore, a FY09 EA will not simply resolve this

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problem because even early intervention by the legislature with an EA is projected to be too late for some HHSC regions.

As supporting documentation for this request, we are providing at Attachment C the HHSC FY09 \$62 Million Shortfall Budget. We are also providing at Attachment D the HHSC FY09 Emergency Action Budget that absorbs the \$62 million shortfall based upon service reduction planning assumptions. Finally, fulfilling our commitment to provide a plan to the legislature by June 30, 2008, we are including at Attachment E the HHSC System-Wide Strategic Plan, approved by the HHSC Board of Directors on June 12, 2008. This plan includes full copies of all regional FY09 final contingency plans as well as regional strategic plans. We are also advocating a system-wide proposal to convene a new "Blue Ribbon Panel" to recommend HHSC's long range structure in terms of the state's future role in the provision of "safety net" healthcare. The sooner we can do this, the better, so please consider agreeing to initiation of this "Blue Ribbon Panel" effort now so that we could have recommendations ready for the next legislative session.

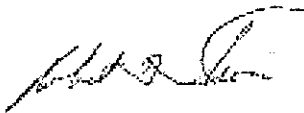
Thank you for your consideration of our request. We anxiously await your response. The point of contact is Thomas M. Driskill, Jr., President and Chief Executive Officer, HHSC, telephone 733-4151.



Andrew Don, M.D., Chair
HHSC Board of Directors



Richard J. Vidgen, Chair
Finance and Information Systems and Audit
Committee, HHSC Board of Directors

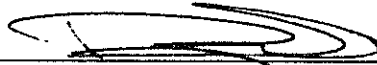


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Oahu Regional System Board of Directors



Elizabeth Helman Zagorodney, Chair
West Hawaii Regional System Board of Directors

cc: The Honorable Governor Linda Lingle

Attachments:

- A – HRS Section 323F-31
- B – Elimination and/or Reduction of Direct Patient Services by HHSC Facilities
- C – HHSC FY09 \$62 Million Shortfall Budget
- D – HHSC FY09 Emergency Action Budget
- E – HHSC System-Wide Strategic Plan