

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 2271

February 21, 2008

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO  
ASSIST CASTLE MEDICAL CENTER AND ITS AFFILIATES.

House Bill No. 2271 authorizes the issuance of special purpose revenue bonds to assist Castle Medical Center, and one or more of its nonprofit affiliates, to finance the construction and improvement of health care facilities pursuant to Part II, Chapter 39A, Hawaii Revised Statutes.

The Department recommends additional language be included in two Sections of the bill, as follows (new language underlined):

“SECTION 4. The department of budget and finance is authorized, from time to time, including times subsequent to June 30, 2013, to issue special purpose revenue bonds...”

“SECTION 5. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 2013.”

The amendment to Section 5 will make the special purpose revenue bond authorization consistent with Act 148, Session Laws of Hawaii 2001, which states that no authorization shall be made for a period exceeding five years of its enactment. The amendment to Section 4 will allow the Department to refund the special purpose revenue bonds after the June 30, 2013 lapse date, if advantageous to Castle Medical Center.





HOUSE COMMITTEE ON HEALTH  
Rep. Josh Green, M.D., Chair

Conference Room 329  
Friday, February 8, 2008 at 8:00 a.m.

**Testimony in support of HB 2271.**

I am Rich Meiers, President and CEO of the Healthcare Association of Hawaii, which represents the entire spectrum of health care, including acute care hospitals, two-thirds of the long term care beds in Hawaii, as well as home care and hospice providers. Thank you for this opportunity to testify in support of HB 2271, which authorizes the issuance of special purpose revenue bonds (SPRBs) for Castle Medical Center.

State law authorizes the Department of Budget and Finance to issue SPRBs for certain types of projects that benefit the community. These projects include health care facilities that are provided to the general public by not-for-profit corporations.

SPRBs are attractive to corporations because they reduce the cost of financing capital projects. At the same time, they are attractive to investors because the interest income derived from them is exempt from State taxes.

It should be noted that the issuance of SPRBs does not involve any appropriation or expenditure of State funds, and it does not affect the financial liability of the State. The bonds are backed by the revenue from the particular project funded by the non-profit corporation.

Castle Medical Center intends to use the SPRBs as a means of financing the outpatient infrastructure of the facility, including renovations to the emergency department, replacement of the pharmacy, and expansion of the imaging center. In providing financial support to Castle Medical Center, this bill will improve access to health care, especially to residents of windward Oahu.

For the foregoing reasons, the Healthcare Association of Hawaii supports HB 2271.

TO: House Committee on Finance  
The Hon. Marcus R. Oshiro, Chair  
The Hon. Marilyn B. Lee, Vice Chair

**Testimony In Support of House Bill 2271**  
**Relating to the Issuance of Special Purpose**  
**Revenue Bonds to Assist Castle Medical Center**  
**Submitted by Kevin A. Roberts, President and CEO**  
**February 21, 2008, 10:00 a.m., Conf. Rm. 308**

I am pleased to submit this testimony to the Committee on Finance following my previous testimony before the Committee on Health at its hearing on February 8, 2008. My name is Kevin A. Roberts, and I am the President and Chief Executive Officer of Castle Medical Center. I am here to testify in support of House Bill 2271 relating to the issuance of special purpose revenue bonds to assist Castle Medical Center.

Castle Medical Center first opened its doors in 1963, after a long struggle to establish a Windward hospital, with its primary mission to meet the needs of the community. It is owned and operated by Adventist Health, a nineteen hospital system, which promotes wellness and treatment of the whole person – mind, body and spirit.

Today, Castle Medical Center is a 160-bed facility with more than 1,000 employees and 256 physicians in a wide range of specialties and subspecialties. Castle Medical Center serves all of Oahu and is the primary health care facility for Windward Oahu. It is a full service medical center including a 24-hour emergency department, a wide range of inpatient, outpatient, and home-based services, and specialty services such as wellness and lifestyle medicine, chemotherapy clinic, Hawaii Muscular Dystrophy Association Clinic, joint care center, cardiac rehabilitation and interventional cardiology. Many of Castle Medical Center's most successful programs are focused on preventive medicine and the promotion of healthy life habits.

In 2006, Castle Medical Center completed construction on a \$15.5 million project that includes a new three-story patient care wing. This project provides additional space for private patient rooms within the 160-bed hospital, and renovation of existing hospital facilities as well as patient rooms. The new rooms are part of a three-story, 15,000 square foot tower built at the rear of the hospital.

House Bill 2271 would grant Castle Medical Center, a Hawaii not-for-profit corporation, the authorization to issue up to \$30 million in special purpose revenue bonds for the purpose of financing and refinancing equipment purchases, and constructing and improving health care facilities at Castle Medical Center.

From a facilities perspective, Castle Medical Center has many needs, such as financing and refinancing equipment purchases, and constructing and improving health care facilities, including the following:

1. Remodeling and rebuilding existing health care facilities;

2. Constructing new health care facilities;
3. Purchasing new equipment;
4. Refinancing debt; and
5. Other related projects for Castle Medical Center and its affiliated nonprofit affiliations.

The bond proceeds will enable Castle Medical Center to continue to compete as a health care leader. Constructing new facilities, upgrading existing buildings, and acquiring new technology will strengthen our capability in critical areas of change such as cardiovascular, trauma, neuroscience, oncology, orthopedic, and behavioral disorders, as well as interventional and diagnostic imaging and minimally invasive surgery.

The field of health care is very dynamic, with advances occurring frequently in virtually every specialty area. A medical center such as Castle Medical Center will become obsolete before long unless facilities and equipment are regularly updated. The bonds authorized by this bill will enable Castle Medical Center to remain current and allow it to maintain its status as a leader in health care, and most importantly, to continue to meet the needs of the community.

On behalf of Castle Medical Center, I urge you to support House Bill 2271. Thank you for the opportunity to testify in favor of this bill which represents one of the most important and cost-effective actions the Legislature can take to support Castle Medical Center.

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**Testimony In Support of House Bill 2271**  
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**Submitted by Jack Hoag**  
**February 21, 2008, 10:00 a.m., Conf. Rm. 308**

I am pleased to submit this testimony to the Committee on Finance following my previous testimony before the Committee on Health at its hearing on February 8, 2008. My name is Jack Hoag, and I am on the governing board for Castle Medical Center. I am here to testify in support of House Bill 2271 relating to the issuance of special purpose revenue bonds to assist Castle Medical Center.

Castle Medical Center is a full-service medical center which offers a wide range of medical and surgical care to patients residing in Windward Oahu. Castle Medical Center is a leader in technology and innovation. It is continually adding new therapies and technologies and incorporating advancements in medical care to improve services to its patients. For example, innovations in imaging and scanning technology have allowed Castle Medical Center to provide its patients with the best treatments and care available. Its many outreach programs serve the medical needs of the Windward community.

The governing board works closely with the administration of Castle Medical Center in an effort to provide the highest quality patient-centered health care services to the Windward community. In addition to retaining qualified and dedicated physicians and other hospital staff, this effort requires capital in order for Castle Medical Center to continue to meet the health care needs of the community. The issuance of special purpose revenue bonds will allow Castle Medical Center access to lower cost loans as it continues to modernize its facilities and purchase state-of-the-art equipment to keep in step with advances in the health care field.

In order for Castle Medical Center to remain on the forefront of patient-centered health care, I urge you to support House Bill 2271. Thank you for the opportunity to testify in favor of this bill.

**LATE**

TO: House Committee on Finance  
The Hon. Marcus R. Oshiro, Chair  
The Hon. Marilyn B. Lee, Vice Chair

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The field of health care is very dynamic, with advances occurring frequently in virtually every specialty area. A medical center such as Castle Medical Center will become obsolete before long unless facilities and equipment are regularly updated. The bonds authorized by this bill will enable Castle Medical Center to remain current and allow it to maintain its status as a leader in health care, and most importantly, to continue to meet the needs of the community.

On behalf of Castle Medical Center, I urge you to support House Bill 2271. Thank you for the opportunity to testify in favor of this bill which represents one of the most important and cost-effective actions the Legislature can take to support Castle Medical Center.



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Revenue Bonds to Assist Castle Medical Center  
Submitted by David Randell, M.D.  
February 21, 2008, 10:00 a.m., Conf. Rm. 308**

I am pleased to submit this testimony to the Committee on Finance following my previous written testimony submitted to the Committee on Health for its hearing on February 8, 2008. My name is Dr. David Randell, and I am on the medical staff at Castle Medical Center specializing in Ophthalmology. I am testifying in support of House Bill 2271 relating to the issuance of special purpose revenue bonds to assist Castle Medical Center.

Castle Medical Center is the primary health care facility on Windward Oahu, which includes residents living in Laie, Kaneohe, Kailua, and Waimanalo. Castle provides a full range of patient care services including a 24-hour emergency department, inpatient, outpatient, and surgical and intensive care services; specialized programs such as cardiopulmonary and diabetic services; diagnostic imaging and laboratory services; rehabilitation programs and services; and multi-specialties such as the surgical weight loss institute and the wellness and lifestyle medicine center.

Castle Medical Center's primary mission is to meet the needs of the community. It accomplishes this with modern facilities, state-of-the-art equipment, as well as board-certified physicians and other qualified and dedicated hospital staff.

The health care industry is very dynamic and technological advances occur frequently. In order to continue to maintain its status as a health care leader and to provide much needed services to the community, I urge you to support House Bill 2271. Thank you for the opportunity to testify in favor of this bill.

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