




HOUSE OF REPRESENTATIVES

STATE OF HAWAII
STATE CAPITOL
HONOLULU, HAWAII 96813

February 21, 2008

OFFICIAL TESTIMONY

FROM: Rep. Rida Cabanilla 
State Representative, 42nd District
Chair, House Committee on International Affairs

TO: Rep. Marcus R. Oshiro, Chair, Finance Committee
Rep. Marilyn Lee, Vice Chair, Finance Committee
Honorable Members of the Finance Committee

SUBJECT: Testimony in support of HB2756, HB2757, HB2758, HB2759
3:30 PM / February 22 Agenda / Conference Room 308

Chair Oshiro, Vice Chair Lee, Members of the Finance Committee:

Thank you for the opportunity to submit testimony in strong support of House Bills No. 2756, 2757, 2758, and 2759. These measures, which I introduced, are critical to the success of not only the Hawaii Medical Center West (a/k/a HMC), but also for the continued well-being and health of the people of Leeward and Central Oahu.

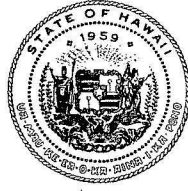
At present, seventy percent of HMC's patients are Medicare/Medicaid and uninsured, far higher than that of other local hospitals. HMC is the lead hospital for providing services to the underserved and growing destitute patient population in Leeward and Central Oahu. HMC serves 8,000 inpatients for over 75,000 patient days per year, not including the thousands of outpatients served annually that other hospitals are not able to absorb. These four measures, House Bills No. 2756, 2757, 2758 and 2759 will all be essential in allowing HMC to continue its mission and will save lives.

Mother Teresa, one of the world's greatest humanitarians said that "To keep a lamp burning, we have to keep putting oil in it." HMC is a critical lamp of hope to the people of not only my district, but all of Ewa, Waipahu, Waikele, Royal Kunia, Makakilo, Kapolei, Kalaeloa, Mililani, Kapolei, Makakilo, Honokai Hale, Nanakuli, Lualualei, Maili, and many other communities, of whom HMC is the largest hospital providing care.

Dr. Livingston Wong testified with impassioned and charged words before the House Health Committee regarding these measures, saying: " *Any of these bills could help to*

secure the longterm viability of HMC. HMC is making great strides toward sustainable financial viability and medical excellence. Reasonable action by the Legislature will help ensure HMC remains an important part of Hawaii's healthcare system. HMC does not seek a hand out from the Legislature, but rather an investment. Given the important role HMC plays in the delivery of medical care to our community, it is proper for the Legislature to approve a public investment in HMC's future. The return on such an investment will benefit the entire state." Let us take his words to heart and take action by passing these measures. I wholeheartedly urge you to support this measure and pass it on to Final Reading.

Thank you for this opportunity to testify.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

House Committee on Finance

HB2756, RELATING TO THE HOSPITAL LOAN GUARANTEE PROGRAM

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

**February 22, 2008
3:30 pm**

1 **Department's Position:** The Department of Health (DOH) respectfully opposes this measure.

2 **Fiscal Implications:** This legislative proposal appropriates unspecified amounts for the
3 "temporary hospital loan guarantee trust fund," for loan guarantees, and for DOH to conduct "due
4 diligence" examinations of hospital applicants as well as to administer loan guarantees.

5 **Purpose and Justification:** This bill establishes a hospital loan guarantee program within the DOH for
6 hospitals undergoing "short-term" financial problems; and sets-up a temporary hospital loan guarantee
7 trust fund program. The measure proposes that DOH determine what "experiencing short-term financial
8 problems" is by studying hospital financial information, and under a reasonable projection, decide if the
9 hospital is expected to generate a negative net income in the hospital's two fiscal years immediately
10 following the date of application for the loan guarantee. If two or more hospitals have such applications
11 before the Department at the same time, DOH is mandated to give the highest preference to the applicant
12 that is located farthest away, by the most direct highway route, from another hospital – seemingly
without consideration of the loan merit or risk.

1 A general funded loan guarantee program is not a responsible financial risk for the State. The
2 Department does not have the infrastructure, the staffing, the resources or the expertise to implement
3 and manage such a program.

4 While we appreciate what this measure attempts to accomplish, we respectfully suggest that
5 better alternative long-term solutions be explored.

6 Thank you for the opportunity to testify.
7



HAWAII MEDICAL CENTER

House Committee on Finance
Friday, February 22, 2008, 3:30 PM, House Conference Room 308
House Bill No. 2756

Chair Oshiro and Honorable Members of the Committee on Finance:

Aloha kakou! I am Dr. Danelo Canete, Chief Executive Officer of Hawaii Medical Center (HMC). I thank you for the opportunity to testify in favor of House Bill 2756.

This bill would establish a program in the Department of Health to guarantee a portion of private loans to hospitals with short-term financial problems that could not otherwise qualify for such loans. The purpose of the bill is to provide a means for the state to act when short-term financial circumstances threaten to diminish the amount and/or quality of health care available to Hawaii residents.

One year ago, I was one of more than 100 local physicians who came together to not only save the former St. Francis Hospitals but also to help perpetuate their Catholic values. The Sisters' mission was to provide service to the underserved of the State of Hawaii. However, even with its nonprofit and tax-exempt status, St. Francis was in serious financial difficulty due to servicing this patient population. Attaining financial viability for HMC while continuing to serve the needy is vital to our community and our state.

When our doctors assumed the management of the hospitals, we found they were in even worse financial shape than had been anticipated. HMC was forced to make hard decisions and difficult sacrifices to keep the hospitals going. We have worked long and hard to improve our operations and become more efficient.

HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, over 70% of HMC's patients are uninsured, or on Medicare or Medicaid, compared with about 55% at other local hospitals.

HMC needs support for its efforts to remain solvent during its transition period -- so we can continue to provide medical services to this underserved population. HMC is not only seeking to become more efficient, but is committed to reinvesting in its facilities, operations and services in order to serve this patient population.

The survival of Hawaii Medical Center is critical, as we service 8,000 in-patients for over 75,000 patient days annually. This does not include the thousands of outpatients that are also served annually and the unique services provided by HMC that other hospitals are not able to absorb. In addition, HMC employs over one thousand employees who contribute hundreds of thousands of dollars in federal and state income taxes that help support the economy of our state.

My colleagues and I took the unusual step of purchasing the hospitals because we did not want to see our community lose these important institutions, nor did we want to deprive our patients of affordable health care. In addition, we did not want to see our community lose this organization's unique services that are based on the moral and ethical values of serving the poor and needy that had always been the mission of the Sisters of St. Francis.

We are determined to keep HMC afloat and to continue to provide care to the financially challenged patients that St. Francis was dedicated to serving. By providing a program under which the state could guarantee loans under appropriate circumstances, HMC could gain access to capitol it needs to continue its path to recovery.

If we are going to solve the health care crisis that confronts our state, it is going to take a bold vision, creative innovation and timely investment, both public and private. I recognize you are faced with many competing demands for limited state resources. Nonetheless, establishment of a hospital loan guarantee program would give the state the tools it needs to ensure many of Hawaii's most vulnerable populations will continue to have access to health care. I sincerely believe that your support for such a program would be in the best public interest.

Thank you. I would be happy to answer any questions you may have.

SURGICAL ASSOCIATES, INC.

General and Transplant Surgery

Livingston M.F. Wong, MD, FACS
Fong-Liang Fan, MD, FACS
Whitney M.L. Limm, MD, FACS
Alan H.S. Cheung, MD, FACS
Linda L. Wong, MD, FACS
Hiroji Noguchi, MD, FACS
Makoto Ogihara, MD

February 21, 2008

Representative Marcus Oshiro
Chairperson
House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2756, 2757, 2758, & 2759

Aloha Chairperson Oshiro:

My name is Dr. Alan Cheung and I am writing in support of House Bills 2756, 2757, 2758, and 2759. From establishing a program to guarantee private loans to hospitals with short-term financial problems to extending a general excise tax exemption or deferment, I believe that these proposals would help many of our hospitals stay afloat and ensure affordable health care for those that need it most.

The Hawaii Medical Center is one of these important hospital systems, servicing 8,000 in-patients for over 75,000 patient days annually. However, HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. I know that you are faced with various demands for limited state resources. However, passage of these legislative initiatives would give the state the tools it needs to ensure many of Hawaii's most vulnerable populations will continue to have access to health care.

Entities like HMC are only trying to continue to operate and provide services to underserved populations and I sincerely believe that your support for these efforts would be in the best public interest. Thank you for your time and consideration. If you should have any questions or concerns, please feel free to contact me at (808) 523-0166.

Sincerely,



Alan Cheung, MD

**JAMES LUMENG, M. D.
AINA HAINA PROFESSIONAL BUILDING
850 WEST HIND DRIVE, SUITE 114
HONOLULU, HAWAII 96821
PHONE NO. : (808) 377-5485**

I am testifying in support of House Bills 2756, 2757, 2758, & 2759.

I am a practicing physician with an office in Aina Haina. I am concerned regarding the possible closing or downsizing of Hawaii Medical Centers (formerly St. Francis Medical Centers). It is my understanding that the Medical Centers have been losing money since their change in ownership. Even though I also have privileges to admit patients to Queen's Medical Center and Kuakini Medical Center, it is not uncommon for those facilities to be closed when there are no available beds, usually due to a lack of nursing staff.

Hawaii Medical Centers have been providing care to a large portion of patients covered by Medicaid and Medicare insurance. Hawaii has one of the lowest Medicare reimbursement rates of any state – 37% lower than the average on the mainland – even though costs to deliver care in Hawaii are among the highest in the nation.

In addition, while Hawaii Medical Centers provide care to numerous patients living on Oahu, many of their patients also come from the neighboring islands for tertiary care. This is due to the lack of tertiary care facilities in the neighboring islands.

I believe the passage of House Bills 2756, 2757, 2758, & 2759 will help to assist Hawaii Medical Centers in recovering financially and can thus continue to provide valuable services to the people of Hawaii.

Please help and support the passage of these bills.

Sincerely yours,


James Lumeng, M.D.

February 20, 2008

The Honorable Marcus Oshiro
Chair, House Committee on Finance
The State Capitol
Honolulu, Hawai'i 96813

Re: HB Nos. 2756, 2757, 2758 and 2759

Dear Representative Oshiro:

I am writing to ask you to support the above-referenced legislation.

After one-year of operation Hawai'i Medical Center is working diligently to continue to treat and provide services to every patient that is in need of medical care. House Bill 2756 would provide a means for HMC to continue its current scope of practice while diminishing the debt that was left by St. Francis Hospitals.

The bill would create a hospital loan guarantee program to assure part of a loan by a private financial institution to a hospital that is experiencing short-term financial problems and would not otherwise qualify for the loan. Such legislation would have an immense impact on HMC's operations. The result would be the stabilization of HMC's current financial state and foundation needed to proceed with initial plans of improving technologies, facilities, and overall services.

The proposed legislation of House Bill 2757 that would allow the Department of Health to make or guarantee loans for capital improvements, equipment, supplies, materials or working capital. In combination House Bill 2756 and House Bill 2757 would place HMC in a position to continue to serve patients that the hospital does not receive adequate reimbursement for while simultaneously moving the hospital forward with endeavors that would ultimately support the cost of serving the poorly insured.

I respectfully request your consideration to pass HB 2756, 2757, 2758 and 2759. The continued care of the more than 75,000 annual in-patients we treat is at stake.

Respectfully,

Henry W. Louie, MD, FACS
808 531-3311 (office)

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO
Gentry Pacific Design Center, Suite 215A
560 N. Nimitz Highway, #50
Honolulu, Hawaii 96817
(808) 524-2249 - FAX (808) 524-6893

February 21, 2008

Honorable Representative Marcus R. Oshiro, Chair
Honorable Representative Marilyn B. Lee, Vice Chair
Members of the House Committee on Finance
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: IN SUPPORT OF HB 2756
RELATING TO THE HOSPITAL LOAN GUARANTEE PROGRAM
Hearing: Friday, February 22, 2008, 3:30 p.m.

Dear Chair Oshiro, Vice Chair Lee and the House Committee on Finance:

For the Record my name is Buzz Hong the Executive Director for the Hawaii Building & Construction Trades Council, AFL-CIO. Our Council is comprised of 16-construction unions and a membership of 26,000 statewide.

The Council SUPPORTS the passage of HB 2756, which establishes a hospital loan guarantee program to guarantee a portion of a loan by a private financial institution to a hospital that is experiencing short-term financial problems.

Thank you for the opportunity to submit this testimony in support of HB2756.

Sincerely,

William "Buzz" Hong

WBH/dg

Representative Marcus Oshiro
Chairperson

House Committee on Health

February 22, 2008 3:30 PM- CR 308 - House Bill No. 2756, 2757, 2758 and 2759

Dr. S. Y. Tan, Endocrinologist and a Professor of Medicine.

Mr. Chairman and honorable members,

My name is Dr. S. Y. Tan. I am an Endocrinologist and a Professor of Medicine. I work out of Hawaii Medical Center or HMC, where I serve as its Director of Medical Education. There I teach medical students and residents, and it is from this vantage point that I wish to urge the approval of the bills under discussion today.

HMC is experiencing dangerous financial uncertainties. If it becomes insolvent, we as a community will pay a very high price. A thousand employees will be displaced, and many thousands of patients each year will have to be treated elsewhere. I wish to add to this disaster the loss of a valuable medical teaching institution. From its inception, our medical school has recognized the former St. Francis Medical Center, and now HMC, as a prime and precious component of its educational resources. HMC is one of its major teaching hospitals, offering expertise in transplant medicine, renal dialysis, hepatitis, medical ethics, and many other areas. In this educational role, HMC expends hundreds of thousands of its own dollars each year to train Hawaii's future doctors.

I understand that the Legislature is not a bailout station for businesses experiencing tough times. Nor should its treatment be seen to favor one organization over another. Yet I believe this request before you is unique, and it merits special consideration for the following compelling reasons:

1. It is well known that all hospitals have difficulties balancing the bottom line, because of the inelastic nature of medical reimbursements. Healthcare is not like every other business.
2. All hospitals in Hawaii except HMC are exempt from the GET.
3. The former St. Francis Medical Center was also exempt from the GET.
4. The nobility of caring for the uninsured and underinsured, including Medicare/Medicaid patients, comes with a sobering tradeoff, i.e., reduced reimbursement. St. Francis had a markedly disproportionate share of such patients, and as a result, was unable to compete in the healthcare market.
5. HMC is the direct descendant of St. Francis, and continues her tradition of caring for a disproportionate number of Medicare/Medicaid patients – but with the new burden of shouldering the GET.
6. Despite its valiant efforts at thrift and cost-cutting (e.g., compensation for all its officers are deferred), HMC is experiencing transition difficulties that have reached crisis status. It is literally battling for its life.
7. This plea for tax relief is not from a boy crying wolf. It is a sincere voice urging a little extra elbow room for HMC to steer its way towards viability.

I ask you to give these bills your fair consideration to benefit the people of Hawaii. Thank you.

February 21, 2008

Representative Marcus Oshiro
Chairperson
House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2756, 2757, 2758, & 2759

Aloha Chairperson Oshiro:

My name is Dr. Genevieve Ley and I am writing on behalf of Hawaii Medical Center (HMC) in support of House Bills 2756, 2757, 2758, and 2759. From establishing a program to guarantee private loans to hospitals with short-term financial problems to extending a general excise tax exemption or deferment. I believe that, if passed, these initiatives would go a long way in securing a better quality of health care for Hawaii's residents, especially those in the greatest need.

I was one of more than 100 local physicians who came together a year ago to save the former St. Francis Hospitals from closing their doors forever. When our doctors assumed the management of the hospitals, we found they were in even worse financial shape than had been anticipated. Therefore, we have worked long and hard to improve our operations and become more efficient.

The survival of Hawaii Medical Center is critical, as we service 8,000 in-patients for over 75,000 patient days annually. However, HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, 70% of HMC's patients are Medicare/Medicaid/uninsured, a higher percentage than other local hospitals.

If we are going to solve the health care crisis that confronts our state, it is going to take a bold vision, creative innovation and timely investment, both public and private. I recognize you are faced with many competing demands for limited state resources. Nonetheless, passage of these legislative initiatives would give the state the tools it needs to ensure many of Hawaii's most vulnerable populations will continue to have access to health care.

Thank you for your time and consideration. I look forward to your support and passage of these important efforts to preserve high quality, affordable health care. If you should have any questions or concerns, please feel free to contact me at (808) 584-7414.

Sincerely,



Genevieve Ley, MD

**Valorie Amman, MD FACEP
2230 Liliha Street
Honolulu, Hawaii 96817**

February 20, 2008

The Honorable Representative Oshiro
Chairman, Committee on Finance
39th Senatorial District
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, Hawaii 96813

Re: Support of HB 2756, 2757, 2758 and 2759

Dear Representative Oshiro and Finance Committee Members:

As a physician currently practicing in Hawaii Medical Center East, I ask for your favorable consideration of the bills before your committee, HB 2756, 2757, 2758 and 2759.

Although we may not be the largest of busiest Emergency Department, the other medical centers are already under constant strain to provide care for the patients they see. When Queens or any of our medical centers goes on divert, care for the most acutely ill can be compromised. The closure of Hawaii Medical Center East will add to the strain of the system overall and affect care to the most needy patients.

Hawaii Medical Center East may be more widely known as "the old St. Francis, the dialysis hospital, the transplant hospital, or the Catholic hospital," but what we are is an integral part of the community for all of our neighbors. I humbly ask for your consideration of these measures to assist us to continue to do the work that we do.

Respectfully yours,

Valorie Ammann, MD FACEP
Medical Director Emergency Department
Hawaii Medical Center East

February 21, 2008

Representative Marcus Oshiro
Chairperson
House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2756, 2757, 2758, & 2759

Aloha Chairperson Oshiro:

Dear Senator Ige:

I am in support of passage of HB 2756, 2757, 2758 and 2759 to help secure the long-term viability of Hawaii Medical Center (HMC). As a staff physician at the only full service hospital in Leeward area, HMC-West, it's vital to have the House's support to maintain service to the Leeward residents. Hawaii Medical Center has maintained the mission of the Franciscan Sisters and it has provided services to the entire community. In fact, 70% of the services were provided for the medicare and Medicaid population which is greater than the other Oahu Hospitals.

Please support these House Bills to help maintain medical care to the Leeward residents and to ensure the mission of St. Francis to provide treatment for the poor, uninsured or on public health programs.

Respectfully,

Rosale M. Paeste, MD

Rosale M. Paeste, MD

Hawaii Human Rights Center
2440 Campus Rd, #333
Honolulu, HI 96822

House Committee on Finance
February 22, 2008, 3:30 PM - CR 308 -
House Bill No. 2756, 2757, 2758, and 2759.

Chair Marcus Oshiro and Honorable Members of the Committee on Finance:

The Hawaii Human Rights Center (HHRC) supports House Bills 2756, 2757, 2758, and 2759.

These bills enable hospitals to respond effectively to Hawaii's need for quality, affordable health care to Hawaii most under-served patients in the rural underserved areas like Leeward Oahu.

The mission of the HMC is to carry on the tradition and values of St Francis and to carry on their good works in serving the underserved areas, poverty-stricken, poor and economically challenged.

HMC provides critical medical care to a large number of uninsured and Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, 70% of HMC's patients are Medicare/Medicaid and uninsured, a higher percentage than other local hospitals are experiencing and all other hospitals are GET tax exempt.

The survival of Hawaii Medical Center is critical, as they service 8,000 in-patients for over 75,000 patient days annually. This does not include the thousands of outpatients that are also served annually and the unique services provided by HMC that other hospitals are not able to absorb.

We need to address the health care crisis that confronts our state and provide a safety net for the UN-insured and the UNDER-insured, it is going to take a bold vision, creative innovation and timely investment, both public and private.

These bills would give the state the tools and provide the hospitals with resources it needs to ensure many of Hawaii's most vulnerable populations will continue to have access to health care. I sincerely believe that your support for such a program would be in the best public interest.

Thank you for the opportunity to testify in support of this important bill. I would be happy to answer any questions you may have.



HAWAII MEDICAL

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House Committee on Health
February 4, 2008 - 9:30 AM - CR 329
- House Bill No. 2756

Chair Green, M.D. and Honorable Members of the Committee on Health:

Aloha kakou! I am Dr. Danelo Canete, Chief Executive Officer of Hawaii Medical Center (HMC). I thank you for the opportunity to testify in favor of House Bill 2756.

This bill would establish a hospital loan guarantee program to guarantee a portion of a loan by a private

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HAWAII MEDICAL CENTER

House Committee on Health
February 4, 2008 - 9:30 AM - CR 329 - House Bill No. 2756

Chair Green, M.D. and Honorable Members of the Committee on Health:

Aloha kakou! I am Dr. Danelo Canete, Chief Executive Officer of Hawaii Medical Center (HMC). I thank you for the opportunity to testify in favor of House Bill 2756.

This bill would establish a hospital loan guarantee program to guarantee a **portion** of a loan by a private financial institution to a hospital that is experiencing short-term financial problems that could not otherwise qualify for such loans. The purpose of the bill is to provide a means for the state to act when short-term financial circumstances threaten to diminish the amount and/or quality of health care available to Hawaii residents.

One year ago, I was one of more than 100 local physicians who came together to not only save the former St. Francis Hospitals but also to help perpetuate their charitable values. The Sisters' mission was to provide service to the poverty-stricken, poor and economically challenged of the State of Hawaii. However, even with its non-profit and tax-exempt status, St. Francis was in serious financial difficulty due to servicing this indigent patient population.

When our doctors, acting as Good Samaritans, assumed the management of the hospitals, we found they were in even worse financial shape than had been anticipated. HMC was forced to make hard decisions and difficult sacrifices to keep the hospitals going. We have worked long and hard to improve our operations and become more efficient.

HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, 70% of HMC's patients are Medicare/Medicaid and uninsured, a higher percentage than other local hospitals are experiencing.

HMC needs support for its efforts to remain solvent during this transition period -- so we can continue to provide medical services to this underserved population. HMC is not only seeking to become more efficient, but is committed to reinvesting in its facilities, operations and services in order to serve this rapidly growing destitute patient population.

The survival of Hawaii Medical Center is critical, as we service 8,000 in-patients for over 75,000 patient days annually. This does not include the thousands of outpatients that are also served annually and the unique services provided by HMC that other hospitals are not able to absorb. In addition, HMC employs over one thousand employees who contribute hundreds of thousands of dollars in federal and state income taxes that help support the economy of our state.

Committed to the public interest, the Good Samaritan doctors took the ultimate step of purchasing the hospitals because we did not want to see our community lose these important institutions, nor did we want to deprive our patients of affordable health care. In addition, we did not want to see our community lose this organization's unique services that are based on the moral and ethical values of serving the poor and needy that had always been the mission of the Sisters of St. Francis.

We are determined to keep HMC afloat and to continue to provide care to the financially challenged patients that St. Francis was dedicated to serving. By providing a program under which the state could guarantee a **portion** of a loan under appropriate circumstances, HMC could gain access needed capital and resources to continue its path to recovery while serving society's most vulnerable.

If we are going to solve the health care crisis that confronts our state and provide a safety net for the UN-insured and the UNDER-insured,

it is going to take a bold vision, creative innovation and timely investment, both public and private. I recognize you are faced with many competing demands. Nonetheless, establishment of a hospital loan guarantee program would give the state the tools it needs to ensure many of Hawaii's most vulnerable populations will continue to have access to health care without costing the state any lost revenue. I sincerely believe that your support for such a program would be in the best public interest.

Thank you for the opportunity to testify in support of this important bill. I would be happy to answer any questions you may have.

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HAWAII MEDICAL CENTER

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Page 1: [9] Deleted However, even with its non-profit and tax-exempt status, St. Francis was in serious financial difficulty due to servicing this indigent patient population.	None	2/21/2008 5:16:00 PM
<p>When our doctors, acting as Good Samaritans, assumed the management of the hospitals, we found they were in even worse financial shape than had been anticipated. HMC was forced to make hard decisions and difficult sacrifices to keep the hospitals going. We have worked long and hard to improve our operations and become more efficient.</p>		
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Page 1: [9] Deleted .	None	2/21/2008 5:18:00 PM
Page 1: [10] Deleted HMC needs support for its efforts to remain solvent during this transition period -- so we can continue to provide medical services to this underserved population.	None	2/21/2008 5:18:00 PM

HMC is not only seeking to become more efficient, but is committed to reinvesting in its facilities, operations and services in order to serve this rapidly growing destitute patient population.

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In addition, HMC employs over one thousand employees who contribute hundreds of thousands of dollars in federal and state income taxes that help support the economy of our state.

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Committed to the public interest, the Good Samaritan doctors took the ultimate step of purchasing the hospitals because we did not want to see our community lose these important institutions, nor did we want to deprive our patients of affordable health care. In addition, we did not want to see our community lose this organization's unique services that are based on the moral and ethical values of serving the poor and needy that had always been the mission of the Sisters of St. Francis.

If we are going to solve the

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Nonetheless, establishment of a program to make or guarantee loans for construction or renovation of hospital facilities, acquisition of new medical technology and other uses, will help the state ensure that quality, affordable healthcare continues to be available to society's most vulnerable.

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HAWAII MEDICAL CENTER

House Committee on Health

February 4, 2008 9:30 AM – CR 329 - House Bill No. 2758

Chair Green and Honorable Members of the Committee on Health:

Aloha kakou! I am Dr. Danelo Canete, Chief Executive Officer of Hawaii Medical Center (HMC). I thank you for the opportunity to testify in favor of House Bill 2758.

This bill requires the department of taxation to defer general excise tax collection for the Hawaii Medical Center's hospital operations between July 1, 2008, and an unspecified date. It also requires the department to collect the deferred taxes plus interest after the unspecified date. Because HMC will be paying later with interest the State will actually receive more money.

HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, 70% of HMC's patients are Medicare/Medicaid and uninsured, a higher percentage than other local hospitals are experiencing.

This deferment is necessary to help keep HMC solvent during this transition period -- so we can continue to provide medical services to this underserved population. In return, HMC will be operating like a nonprofit, in that it will not be making any distributions during this deferment period, but instead is committed to investing all its resources in its facilities, operations and services in order to continue to serve this rapidly growing destitute patient population.

The survival of Hawaii Medical Center is critical, as we service 8,000 in-patients for over 75,000 patient days annually. This does not include the thousands of outpatients that are also served annually and the unique services provided by HMC that other hospitals are not able to absorb. In addition, HMC employs over one thousand employees who contribute hundreds of thousands of dollars in federal and state income taxes that help support the economy of our state.

One year ago, I was one of more than 100 local physicians who came together to not only save the former St. Francis Hospitals but also to help perpetuate their charitable values. The Sisters' mission was to provide service to the poverty-stricken, poor and economically challenged of the State of Hawaii. However, even with its non-profit and tax-exempt status, St. Francis was in serious financial difficulty due to servicing this indigent patient population.

Committed to the public interest, the Good Samaritan doctors took the ultimate step of purchasing the hospitals. They discovered the hospitals were in even worse financial shape than had been anticipated. HMC was forced to make hard decisions and difficult sacrifices to keep the hospitals going. We have worked long and hard to improve our operations and become more efficient because we did not want to see our community lose these important institutions, nor did we want to deprive our patients of affordable health care. In addition, we did not want to see our community lose this organization's unique services that are based on the moral and ethical values of serving the poor and needy that had always been the mission of the Sisters of St. Francis.

We are determined to keep HMC afloat and to continue to serve the underserved and financially challenged patients that St. Francis was serving. By extending to Hawaii Medical Center this deferral, you would be making a wise investment in health care for the destitute people of Hawaii. I recognize you are faced with many competing demands for limited state resources. HMC is simply requesting this deferral in order for HMC to continue to serve its high percentage of uninsured and needy patients.

HMC is only asking for a more even playing field. We have the highest rate of un-served patients and our predecessor and ALL other hospitals in the State of Hawaii were/are tax exempt. HMC serves a higher percentage of government insured patients compared to others. No other hospital has the burden of the GET. HMC is only trying to continue to operate and provide services to this underserved population without the added burden of the GET just like St. Francis was and all the other hospitals in the State are. I sincerely believe that your support for HMC's efforts to serve these underserved patients would be in the best public interest.

If we are going to solve the health care crisis that confronts our state and provide a safety net for the UN-insured and the UNDER-insured, it is going to take a bold vision, creative innovation and timely investment, both public and private. The deferral will help the state ensure that quality, affordable healthcare continues to be available to society's most vulnerable.

It would ensure the continued existence of important medical assets in the state to ensure many of Hawaii's most vulnerable populations will continue to have access to health care. I sincerely believe that your support for such a deferral program which will result is more money to the State would be in the best public interest. Please help lead the way by approving reasonable excise tax relief to those Medical Centers that provide medical services to the underserved.

Thank you for the opportunity to testify in support of this important bill. I would be happy to answer any questions you may have.

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HAWAII MEDICAL CENTER

House Committee on Health

February 4, 2008 9:30 AM

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- CR 329 - House Bill No. 2759

Chair Green and Honorable Members of the Committee on Health:

Aloha kakou! I am Dr. Danelo Canete, Chief Executive Officer of Hawaii Medical Center (HMC). I thank you for the opportunity to testify in favor of House Bill 2759.

This bill would level the playing field by extending the general excise tax exemption for non-profit hospitals, infirmaries, and sanitararia to for-profit

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hospitals that provide similar services. All other Hospitals do not pay any Get, including its predecessor, St. Francis.

HMC is struggling to provide services to a large number of Medicare/Medicaid patients whose government reimbursement does not generally cover the cost of care. Currently, 70% of HMC's patients are Medicare/Medicaid and uninsured, a higher percentage than other local hospitals are experiencing.

This exemption is necessary to help HMC to continue

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its operations to continue its tradition of providing medical services to the poor and underserved populations.

The survival of Hawaii Medical Center is critical, as we service 8,000 in-patients for over 75,000 patient days annually. This does not include the thousands of outpatients that are also served annually and the unique services provided by HMC that other hospitals are not able to absorb. In addition, HMC employs over

one thousand employees who contribute hundreds of thousands of dollars in federal and state income taxes that help support the economy of our state.

One year ago, I was one of more than 100 local physicians who came together to not only save the former St. Francis Hospitals but also to help perpetuate their charitable values. The Sisters' mission was to provide service to the poverty-stricken, poor and economically challenged of the State of Hawaii. However, even with its non-profit and tax-exempt status, St. Francis was in serious financial difficulty due to servicing this indigent patient population.

Committed to the public interest, the Good Samaritan doctors took the ultimate step of purchasing the hospitals. They discovered the hospitals were in even worse financial shape than had been anticipated. HMC was forced to make hard decisions and difficult sacrifices to keep the hospitals going. We have worked long and hard to improve our operations and become more efficient because we did not want to see our community lose these important institutions, nor did we want to deprive our patients of affordable health care. In addition, we did not want to see our community lose this organization's unique services that are based on the moral and ethical values of serving the poor and needy that had always been the mission of the Sisters of St. Francis.

We are determined to keep HMC afloat and to continue to serve the underserved and financially challenged population that St. Francis was serving. By extending to Hawaii Medical Center the same excise tax exemption already enjoyed by other hospitals in the state, you would be making a wise investment in health care for the people of Hawaii. I recognize you are faced with many competing demands for limited state resources. HMC is simply requesting this consideration in order for HMC to continue to serve its high percentage of uninsured and needy patients.

HMC is only asking for a more even playing field. We have the highest rate of under-served patients and our predecessor and ALL other hospitals in the State of Hawaii were/are tax exempt. HMC serves a higher percentage of government insured patients compared to others. No other hospital has the burden of the GET. HMC is only trying to continue to operate and provide services to this underserved population without the added burden of the GET just like St. Francis was and all the other hospitals in the State are. I sincerely believe that your support for HMC's efforts to serve these underserved patients would be in the best public interest.

If we are going to solve the health care crisis that confronts our state and provide a safety net for the UN-insured and the UNDER-insured, it is going to take a bold vision, creative innovation and timely investment, both public and private. The exemption will help the state ensure that quality, affordable healthcare continues to be available to society's most vulnerable.

It would ensure the continued existence of important medical assets in the state to ensure many of Hawaii's most vulnerable populations will continue to have access to health care. I sincerely believe that your support for such an exemption would be in the best public interest. Please help lead the way by approving reasonable excise tax relief to those Medical Centers that provide medical services to the underserved.

Thank you for the opportunity to testify in support of this important bill. I would be happy to answer any questions you may have.

Edward A. Alquero, MD
94-141 Pupupuhi St.
Waipahu, HI 96797

February 20, 2008

The Honorable Marcus Oshiro
Chair, House Committee on Finance
The State Capitol
Honolulu, Hawai'i 96813

Re: HB Nos. 2756, 2757, 2758 and 2759

Dear Representative Oshiro:

I am writing to ask you to support the above-referenced legislation.

After one-year of operation Hawai'i Medical Center is working diligently to continue to treat and provide services to every patient that is in need of medical care. House Bill 2756 would provide a means for HMC to continue its current scope of practice while diminishing the debt that was left by St. Francis Hospitals.

The bill would create a hospital loan guarantee program to assure part of a loan by a private financial institution to a hospital that is experiencing short-term financial problems and would not otherwise qualify for the loan. Such legislation would have an immense impact on HMC's operations. The result would be the stabilization of HMC's current financial state and foundation needed to proceed with initial plans of improving technologies, facilities, and overall services.

The proposed legislation of House Bill 2757 that would allow the Department of Health to make or guarantee loans for capital improvements, equipment, supplies, materials or working capital. In combination House Bill 2756 and House Bill 2757 would place HMC in a position to continue to serve patients that the hospital does not receive adequate reimbursement for while simultaneously moving the hospital forward with endeavors that would ultimately support the cost of serving the poorly insured.

I respectfully request your consideration to pass HB 2756, 2757, 2758 and 2759. The continued care of the more than 75,000 annual in-patients we treat is at stake.

Respectfully,



Edward A. Alquero, MD

Marc Kruger MD
929 Koae Street
Honolulu, Hi 96816

February 21, 2008

Representative Marcus Oshiro
Chairperson
House Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: House Bills 2756, 2757, 2758, & 2759

Dear Chairman Oshiro and Members of the House Committee on Finance:

I urge you to support and pass House Bills 2756, 2757, 2758, & 2759.

I am an intensive care unit physician at Hawaii Medical Center East, and have been for 5 years. I am on the front line of delivery of care to a segment of our population which cannot afford to be further underserved.

HMC East cares for the lion's share of medicaid, medicare and unfunded patients in the community. The spirit of the tax exemption is to support institutions that provide charitable care to this group of people. This is certainly the case with HMC East.

Additionally, HMC East is the organ transplant center for the Pacific. The loss of this service would be devastating to the entire Pacific region. With renal failure at epidemic proportions within our community, the continuity of the renal transplant program is imperative.

Finally, HMC East is pivotal in the education of our students and resident physicians from the John A. Burns School of Medicine.

The physicians of HMC East are committed to a high level of service and charity to our community, and this will continue.

I urge you to find legislative means to make the morally correct decision, and help HMC East survive.

Sincerely,
Marc Kruger MD

INAM RAHMAN, MD
INTERNAL MEDICINE
1441 KAPIOLANI BLVD., SUITE 2002
HONOLULU, HI 96814

February 21, 2008

The Honorable Representative Marcus Oshiro
Chairman of the Committee on Finance
39th Representative District
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, Hawai'i 96813

Re: HB Bills 2756, 2757, 2758 and 2759

Dear Representative Oshiro:

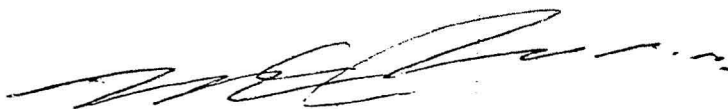
I am writing to ask you to support the above-referenced legislation.

HB2756 establishes a hospital loan guarantee program to support private loans to hospitals that experience short-term financial difficulty. HB2757 establishes a hospital capital loan program to make loans to hospitals for capital improvements, equipment, supplies or working capital. HB2758 allows the Hawaii Medical Center (HMC) to defer payment of General Excise (GE) Tax for a period of time and HB2759 extends the GE tax exemption currently provided to nonprofit hospitals to for-profit hospitals.

Any of these bills could help to secure the long-term viability of HMC. HMC is making great strides toward sustainable financial viability and medical excellence. Reasonable action by the Legislature will help ensure HMC remains an important part of Hawaii's healthcare system. HMC does not seek a hand out from the Legislature, but rather an investment. Given the important role HMC plays in the delivery of medical care to our community, it is proper for the Legislature to approve a public investment in HMC's future. The return on such an investment will benefit the entire state.

Thank you for your consideration.

Very truly yours,



Inam Rahman, MD

February 21, 2008

The Honorable Representative Oshiro
Chairman, Committee on Finance
39th Senatorial District
Hawaii State Capitol, Room 306
415 South Beretania Street
Honolulu, Hawai'i 96813

Re: Support of HB 2756, 2757, 2758 and 2759

I am Dr. Collin Dang, Chairman of the Hawaii Physician Group, the 125 member group of local doctors who own 46% of Hawaii Medical Center.

Thank you for the opportunity to testify in favor of House Bills 2756, 2757, 2758 and 2759.

We have chosen to participate in saving the former St. Francis Hospitals knowing the perilous financial state of health care in our state and in our nation for several reasons:

Firstly, we believe that governance by practicing physicians who are stakeholders is a critical ingredient in aligning the interests and the will of the user physicians and the hospitals, so that difficult decisions can be made while maintaining the safety of patients.

Secondly, we recognize the need for health services in the underserved growing Leeward Oahu area, and are willing to address this challenge despite the unfavorable reimbursement climate, because of the promise this area holds.

Thirdly, we want to preserve the values by which all of us practice, taught by the Sisters of St. Francis for over 80 years.

Because of the neglected infrastructure, the needy areas that we serve, and the debt service under which the purchase places us, we ask that Hawaii Medical Center can be qualified for a hospital loan guarantee program to restore from its short-term financial problems. The passage of these bills will help HMC survive and pursue the same goals as the Health Committee and the Sisters of St. Francis, the medical needs of the State.

Thank you for your time.

Collin R. Dang, MD
Chairman, Hawaii Physician Group
Vice-Chairman of the Board, Hawaii Medical Center
Cardiovascular Surgeon