



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME LOCAL 152, AFL-CIO

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L A T E

The Twenty Fourth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Health
Committee on Human Services and Public Housing
Committee on Commerce, Consumer Protection and Affordable Housing

Testimony by
HGEA/AFSCME, Local 152, AFL-CIO
March 10, 2008

**H.B. 3161 (HSCR 839-08) – MAKING
AN EMERGENCY APPROPRIATION
TO THE HAWAII HEALTH
SYSTEMS CORPORATION**

The Hawaii Government Employees Association, Local 152, AFL-CIO supports H. B. 3161 (HSCR 839-08).

This bill proposes to grant the Hawaii Health Systems Corporation (HHSC) an emergency appropriation of \$14,000,000 to enable them to pay their vendors for supplies, services and pharmaceutical items within a reasonable time frame.

HHSC is Hawaii’s “safety net” and is required to provide medical services to the entire community. They provide medical services in major hospitals as well as in remote areas. Services are provided without regard to the patient’s ability to pay for services. The disproportionate share hospital reimbursements from the Federal Government and from private insurance companies are substantially lower than the actual cost to provide these services.

HHSC is in a financial crisis at this time and in dire need of this emergency appropriation to be able to continue to obtain medical supplies and drugs to continue providing services. Vendors have indicated that they will no longer provide the supplies and pharmaceutical drugs if HHSC fails to pay them in a timely manner.

We respectfully request passage of this bill from your committee. Thank you for the opportunity to submit our testimony in support of H. B. 3161 (HSCR 839-08).

Respectfully Submitted,

Nora A. Nomura
Deputy Executive Director



Maui Memorial
MEDICAL CENTER

March 10, 2008

**TO: Senator David Ige, Chair
Senator Carol Fukunaga, Vice Chair**

**COMMITTEE ON HEALTH
Monday, March 10, 2008, 2:45 p.m.
Conference Room 016**

FROM: Wesley Lo, Chief Executive Officer

**RE: HB 3161 -- Making an Emergency Appropriation to the Hawaii
Health Systems Corporation**

Thank you for the opportunity to submit testimony in support of HB3161. The purpose of HB 3161 is to appropriate general funds for fiscal year 2007-2008 to pay current, essential vendors, reduce accounts payable, and allow operation and provision of current levels of service in Hawaii Health Systems Corporation's facilities. I urge you to consider the following information as part of your decision for this appropriation.

The initial request for the Emergency Appropriation (EA) by HHSC to the Administration was for \$25.4 million, which included approximately \$10.7 million for use by Maui Memorial Medical Center (MMMC).

HB 3161 as presented, has been reduced from the \$25.4 million to \$14 million and MMMC has been excluded as part of the bill submitted to you by the Administration.

It is my understanding that the bill has been reduced since MMMC has been pursuing seeking other forms of funding, and recently received a loan commitment from JPMorgan Chase Bank, N.A. (JP Morgan) to fund its share of the EA.

As background, MMMC became aware of the possibility that HHSC would need emergency funding in mid 2007, and began to pursue securing a private loan which would allow us to pay down our own accounts payable, provide working capital, and relieve some of the financial burden from HHSC.


After completing the procurement process, MMMC selected the investment banking firm, JPMorgan as its financial partner in connection with approximately \$30 million of interim financing and \$100 million of permanent/long-term financing. Further, we have received a loan commitment for \$11 million as part of the larger financing strategy.

The MMMC loan closing is expected within the next 30 days, however, this is based on everything being in order and does not address the following contingency/scenarios that may impact this EA and require additional funding to address this shortfall.

- MMMC still needs approval from State Budget & Finance Department as well as the Governor to enter into the transaction.
- MMMC also needs approval from the HHSC Board of Directors to enter into the transaction.
- If loan does not close, MMMC may need the EA to be increased and for MMMC to be included in the bill.

I respectfully urge the committee to please take into consideration the above, as it may be necessary to secure additional appropriations for MMMC should some of the aforementioned occur.

Respectfully submitted,



Wesley Lo
Chief Executive Officer
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