

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON HEALTH  
ON  
SENATE BILL NO. 2704

February 13, 2008

RELATING TO HOSPITALS

Senate Bill No. 2704 establishes a Hospital Capital Loan program and a revolving fund under the purview of the Department of Health, to authorize the department to make or guarantee loans to hospitals for capital improvements, equipment, supplies, materials or working capital. The fund will be initially capitalized with an unspecified general fund appropriation; however, Section 4 of this bill provides that the funds will be expended by the Department of Budget and Finance.

As a matter of general policy, this department does not support the creation of any special or revolving fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether the fund will be self-sustaining.

In addition, with regard to any loan guaranty program, a maximum dollar cap on the aggregate amount of loans guaranteed should be established, as the amount of loans guaranteed will count against the State's debt limit.

**JAMES LUMENG, M. D.  
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**I am testifying in support of bills SB 2703 and 2704.**

**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 bills SB 2703 and SB 2704 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 12, 2008

To: The Honorable Senator David Ige, Chairman, Committee on Health  
Re: Support of SB 2703 and 2704

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. 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.
3. 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, approximates \$550k-600k/month.
4. All hospitals in Hawaii except HMC are exempt from GET.
5. 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.
6. This plea for financial 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 12, 2008

The Honorable Senator David Ige  
Chairman, Committee on Health  
16<sup>th</sup> Senatorial District  
Hawaii State Capitol, Room 215  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Re: Support of SB 2703 and 2704  
Relating to the Hospital Loan Guarantee Program

Dear Senator Ige:

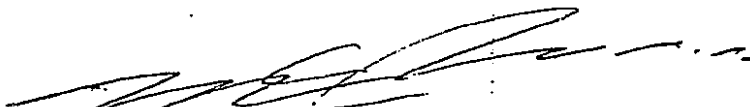
I am a practicing internal medicine physician with an office in Honolulu. I strongly support SB 2703 and 2704 and urge the members of the committee to pass these bills.

If HMC were not to succeed - the community would suffer. About 70% of HMC's patients are on Medicare or Medicaid, a much higher proportion than other major hospitals on Oahu. In addition, HMC operates the only organ transplant center in the Pacific; provides acute dialysis care to a large percentage of our island's renal patients; and operates the only full-service hospital in West Oahu.

With appropriate support, HMC's prospects for success are excellent. HMC's business model, which includes local physician ownership and a nurse-rich, nurse-empowered treatment environment, offers a new formula for solving acknowledged problems confronting Hawaii's health care system. HMC's organizational model makes it innovative and resilient, and our higher nurse-to-patient ratios are beginning to produce better patient outcomes.

Thank you for the opportunity to testify.

Sincerely,



Inam Rahman, MD

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

February 12, 2008

The Honorable Senator David Ige  
Chairman, Committee on Health  
16<sup>th</sup> Senatorial District  
Hawaii State Capitol, Room 215  
415 South Beretania Street  
Honolulu, Hawai`i 96813

Re: Support of SB 2703 and 2704  
Relating to the Hospital Loan Guarantee Program

Dear Senator Ige and Health Committee Members:

As a physician currently practicing in Hawaii Medical Center East, I ask for your favorable consideration of the bills before your committee, Senate Bills 2703 and 2704.

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 12, 2008

The Honorable Senator David Ige  
Chairman, Committee on Health  
16<sup>th</sup> Senatorial District  
Hawaii State Capitol, Room 215  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Re: Support of SB 2703 and 2704  
Relating to the Hospital Loan Guarantee Program

Dear Senator Ige and Committee Members:

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 Senate Bills 2703 and 2704.

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