

SB 1673

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TESTIMONY
OF
AARON S. FUJIOKA
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TO THE
SENATE COMMITTEE
ON
HEALTH

February 13, 2009

3:45 PM

SB 1673

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

Chair Ige, Vice-Chair Green and committee members, thank you for the opportunity to testify on SB 1673.

The State Procurement Office (SPO) opposes the amendment in SECTION 4, which proposes to exempt from HRS chapter 103D, the Hawaii Health Systems Corporation (HHSC).

Statutory exemptions are contrary to the Hawaii Public Procurement Code (Code), section 103D-102, HRS, on the applicability of the chapter that states in part “. . . shall apply to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings, . . .” Any governmental agency with the authority to expend funds should be in compliance with chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with the procurement system; fosters effective broad-based competition; and increases public confidence in public procurement.

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The SPO is against statutorily exempting specific agencies from the Code, as it is not in the best interest of government, the business community, and the general public. The Code establishes a time-tested, fair, and reliable set of rules and processes for award of contracts. The competitive procurement processes of the Code are to insure that all potential providers are afforded the opportunity to compete for the required services. To the extent agencies may need specific purchases to be exempted from Code requirements, the Code provides an exemption process.

The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly. It was the legislature's intent for the Code to be a single source of public procurement policy. If individual agencies are exempted and allowed to develop their own individual processes, it becomes problematic and confusing to vendors, contractors and service providers that must comply with a variety of different processes and standards. Fairness, open competition, a level playing field, and government disclosure and transparency in the procurement and contracting process are vital to good government. For this to be accomplished, we must participate in the process with one set of statutes and rules.

If the Legislature believes that the policy and procedures as used by the HHSC, is a better policy than the one currently used by all 20 jurisdictions pursuant to section 103D-203, then the Code should be rewritten to reflect HHSC's policy and procedures for all purchasing jurisdictions to follow, rather than having multiple policies.

There needs to be one single source of public procurement policy.

Thank you.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

The Senate
Committee on Health
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

Friday, February 13, 2009
3:45 P.M.
Conference Room 016
Hawaii State Capitol

SB 1673 Relating to the Hawaii Health Systems Corporation
Authorizes a facility or regional health care system under the Hawaii Health Systems Corporation to transition into a new legal entity, including a nonprofit or for-profit corporation, municipal facility, or public benefit corporation

By Thomas M. Driskill, Jr.
President and Chief Executive Officer
Hawaii Health Systems Corporation (HHSC)

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporation Board of Directors, thank you for the opportunity to provide testimony in support of SB 1673 to authorize a facility or regional health care system under HHSC to transition into a new legal entity, including a nonprofit or for-profit corporation, municipal facility, or other such corporate entity.

Our HHSC Corporate Board of Directors supports this proposed legislation. In light of the growing financial and structural challenges that the community-hospital system has been undergoing since its establishment in 1996, SB 1673 provides the HHSC regions and facilities an additional option to respond effectively to the changing health care needs of their island communities. SB 1673 seeks restructure options that would enable HHSC regions and facilities to consider entering into various forms of public / private partnerships while at the same time remaining part of a system or a "federated" system of HHSC related healthcare facilities. Since we have taken the position that the State can no longer financially underwrite the escalating cost of healthcare for the communities we serve, it is essential that we look for new innovative ways to involve private partnerships in the provision of care.

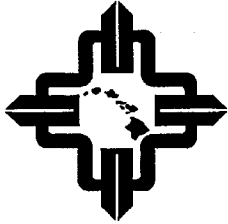
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www.hhsc.org <<http://www.hhsc.org>>

The HHSC Corporate Board and corporate management are committed to working collaboratively with each of its five regions when they are ready to ensure a smooth transitioning process for any facility or regional restructuring that may be undertaken as a result of this Bill.

In light of today's challenging health care and economic environments, this legislation is vital and needed now.

Your support for SB 1673 is greatly appreciated. Thank you.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

COMMITTEE ON HEALTH
Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair

Friday, February 13, 2009
3:45 PM
Conference Room 016
State Capitol

IN SUPPORT OF

SB 1673 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.
Authorizes a facility or regional health care system under the Hawaii health systems corporation, or the corporation itself, to transition into a new legal entity, including a nonprofit or for-profit corporation, municipal facility, or public benefit corporation.

By Howard Ainsley
East Hawaii Regional CEO
Hawaii Health Systems Corporation (HHSC)

Thank you for the opportunity to provide testimony in support of SB 1673 to authorize a facility or regional health care system under the Hawaii health systems corporation, or the corporation itself, to transition into a new legal entity, including a nonprofit or for-profit corporation, municipal facility, or public benefit corporation.

The East Hawaii region supports this bill for the following reasons:

1. It will enable our region to research options to allow our region to remain viable.
2. It will allow our region to consider partnerships with local and national hospital organizations as we face a worsening national economy.
3. It will ease the burden having to rely on diminishing State funds.

Passing this bill will allow our region to remain viable and in doing so benefit our community. Hilo Medical Center is the largest healthcare provider and employer in the County of Hawaii. Many people in our community rely on our services. In fact, over 35,000 people are estimated to visit our Emergency Department by the end of this fiscal year. Our Critical Access Hospitals in Ka'u and Honoka'a also provide quality services in the most remote locations on our island.

Your support for SB 1673 is greatly appreciated. This bill will truly allow for the creativity and innovation needed in meeting the budget shortfalls today and in the future. Thank you.

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The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Health

Testimony by
Hawaii Government Employees Association
February 13, 2009

S.B. 1673 – RELATING TO THE
HAWAII HEALTH SYSTEMS
CORPORATION

The Hawaii Government Employees Association supports S.B. 1673 with amendments. The bill, as drafted, would permit any of the regional systems or individual facilities to transition into a new legal entity, including but not limited to, a non-profit corporation, for-profit corporation, municipal facility, public benefit corporation, or any combination of these options.

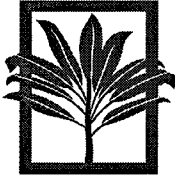
We must also protect the rights and benefits of employees who are very important component in the success of maintaining the HHSC system. For example, selling part of a region or an entire region to become part of a for-profit corporation may result in drastic changes for HHSC employees such as layoffs and reduced salaries and benefits.

We believe that all efforts must be concentrated on preserving the health safety net for our state. Those residing on the neighbor islands must be assured a system of care that will not be eroded by the current budget deficits. To that end, HGEA remains committed to working with the legislators, HHSC and stakeholders to find solutions to the current challenges.

Thank you for the opportunity to testify in support of S.B. 1673.

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director



Hawai'i Primary Care Association

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To: **The Senate Committee on Health**
The Hon. David Y. Ige, Chair
The Hon. Josh Green, MD, Vice Chair

Testimony in Support of Senate Bill 1673
Relating to the Hawaii Health Systems Corporation
Submitted by Beth Giesting, CEO
February 13, 2009, 3:45 p.m. agenda, Room 016

The Hawaii Primary Care Association supports this bill, particularly that section which requires collaboration between HHSC and community health centers. As noted in §323F, community health centers, also known as Federally Qualified Health Centers or FQHCs, are ideal partners as they bring to the community the benefits of:

- Enhanced Medicaid and Medicare reimbursement;
- Stable federal funding with periodic opportunities for enhancement;
- State contracts and grants;
- Federal tort claims coverage that relieves them of malpractice costs; and
- Qualify for National Health Service Corps and other loan repayment programs to enhance recruitment and retention.

In addition, the health centers have a clinically and economically effective model of comprehensive primary care, systems of quality assurance, electronic medical records systems, VTC systems, and other operational advantages.

Thank you for your consideration of this measure and for the opportunity to present our comments.



Maui Memorial
MEDICAL CENTER

February 11, 2009

**TO: Senator David Y. Ige, Chair
Senator Josh Green, M.D., Vice Chair
SENATE COMMITTEE ON HEALTH
Friday, February 13, 2009, 3:45 p.m.
Conference Room 016**

FROM: Wesley Lo, Regional Chief Executive Officer

**RE: SB 1673, RELATING TO THE HAWAII HEALTH SYSTEMS
CORPORATION.**

Thank you for the opportunity to submit testimony in **strong support of SB 1673**. The purpose of SB 1673 is to authorize a facility or regional health care system under the Hawaii Health Systems Corporation (HHSC) to transition into a new legal entity, including a nonprofit or for-profit corporation, municipal facility, or public benefit corporation.


I support this measure for the following reasons:

1. It will allow the regions access to alternative funding sources.
2. If alternative funding sources are secured, the level of state funding required by HHSC would be significantly reduced.
3. Partnerships with larger healthcare organizations will allow for the opportunity to improve healthcare in the State.

If this measure is not passed, the State faces having to fully subsidize HHSC or if it is unable to do so, health care services in all the regions will have to be dramatically reduced or eliminated. For a region such as Maui where there is only **ONE** acute health care facility available to residents and visitors, the reduction or elimination of services will have devastating effects.

Thank you for this opportunity to testify in **support of SB 1673**.

Respectfully submitted,


Wesley Lo
Regional Chief Executive Officer
(808) 442-5100

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 12, 2009 10:01 AM
To: HTHTestimony
Cc: jwalker1@hhsc.org
Subject: Testimony for SB1673 on 2/13/2009 3:45:00 PM

Categories: Green Category, Blue Category

Testimony for HTH 2/13/2009 3:45:00 PM SB1673

Conference room: 016
Testifier position: support
Testifier will be present: No
Submitted by: Jerry Walker
Organization: West Kauai Medical Center
Address: 4643 Waimea Canyon Drive Waimea, Hi 96796
Phone: 808-338-9422
E-mail: jwalker1@hhsc.org
Submitted on: 2/12/2009

Comments:

The Kauai Region includes the West Kauai Medical Center / KVMH; West Kauai Clinics - Waimea, Eleele, Kalaheo; Mahelona Medical Center / SMMH, supports SB1673. The bill gives HHSC and regional boards the flexibility to change its present structure to meet current and future opportunities.

nishimoto2-Bryce

From: Jan Shields [Information@AIHM-Maui.org]
Sent: Thursday, February 12, 2009 1:23 PM
To: HLTtestimony
Subject: Support SB1673
Attachments: image001.jpg

Support SB1673

From:

Jan Shields L.V.T., B.S.N., R.N.C.-NIC
Executive Director
AIHM
Association for Improved Healthcare on Maui
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808-250-9060

Hearing to be held at 3:45pm 016 on Friday, February 13, 2009
Conference Room 016
6 copies, one for each member of the health committee

SB1673 will allow private hospitals to take over some or all of the poorly functioning government hospitals.

However, the Certificate of Need, CON, will still be a barrier to the incoming private hospitals. The language of SB1354 should be included in this bill. SB1354 repeals the CON and the hospital acquisition processes.

The Certificate of need:

- **Decreases quality of healthcare**
- **Increases healthcare costs**
- **Increases the time it takes to implement needed healthcare equipment and products**
- **Increases the time it takes to implement needed Healthcare facility development**
- **Leads to corruption in the use of the CON as a tool of anti-trust violations**
- **Acts as an additional barrier to healthcare**

According to the U.S. Department of Justice, USDOJ, Antitrust Division, competition in healthcare improves quality and decreases costs.

This group has conferred with 30 attorneys, many healthcare experts, and a large team of Antitrust Division economists holding doctorates in the study of markets and their performance, including a number of experts with specialization in the performance of healthcare markets.

The USDOJ also conferred closely with the attorneys and economists at the Federal Trade Commission, who also study healthcare markets.

The USDOJ, along with these experts, have spent decades studying the healthcare industry. They have found that competition drives innovation and ultimately leads to the delivery of better healthcare.

Government intervention can undermine this system. CON laws are a classic government-erected barrier to entry and expansion and thus are thus detrimental to free markets. They undercut consumer choice and weaken the markets' ability to contain healthcare costs. CON laws pose a substantial threat to the proper performance of healthcare markets.

Original cost control reasons for CON laws no longer apply. The CON started in the mid 60's to the mid 70's when the federal government and private insurance reimbursed healthcare expenses predominantly on a "cost-plus basis" which led to overinvestment. There was concern that, since patients were not price-sensitive, providers unnecessarily expanded their services to offer the perceived highest quality services. The federal government was giving millions of dollars to hospitals at that time.

The federal government mistakenly thought that CON laws would compensate for hospital overinvestment. The National Health Planning and Resources Development Act (NHPRDA) of 1974 offered incentives for states to implement CON programs. The NHPRDA law recognized that the massive infusion of Federal funds into the existing health care system had severely distorted the health care market by contributing to inflationary increases in the cost of health care. However, the CON has proved to be unsuccessful in containing healthcare costs.

The federal government no longer reimburses on a cost-plus basis. Health plans and other purchasers routinely bargain with healthcare providers over prices.

In 1986, Congress repealed the National Health Planning and Resources Development Act of 1974. It was left up to the individual states whether they would keep their CON's, limit their scope or abolish them completely.

Proponents of CON laws now use the CON to stifle competition, protect incumbent market power, frustrate consumer choice, and keep prices and profits high. Proponents of the CON have personal or financial interests in maintaining their current medical systems. When you see someone defending the CON laws, it is important to note that they have a personal financial interest in keeping these CON laws in place.

Protecting revenue's of incumbents doesn't justify the CON laws. CON laws create an opportunity for existing competitors to exploit procedural opportunities to thwart or delay new competition.

Existing competitors use the hearing and appeals process to cause substantial delays, leading both the existing competitor and the new entrant to divert significant funds away from delivering healthcare and to spend them on legal fees, consulting fees, and lobbying efforts.

USDOJ states that vigorous competition results in lower prices and broader access to health care and health insurance, and promotes higher quality. Competition creates important innovations in healthcare technology.

http://www.justice.gov/atr/public/health_care/204694.pdf

<http://www.justice.gov/atr/public/comments/223754.pdf>

Aloha,

jan

Jan Shields L.V.T., B.S.N., R.N.C.-NIC
Executive Director



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