

HB 2094



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HAWAII PACIFIC HEALTH
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Wednesday - March 10, 2010 – 2:25pm

Room 016

The Senate Committee on Health

To: Senator David Y. Ige, Chair
Senator Josh Green, MD, Vice Chair

From: Chuck Sted
President & Chief Executive Officer

Re: **Testimony in Strong Support HB 2094 Relating to the Issuance of Special Purpose Bonds to Assist Hawai'i Pacific Health**

My name is Chuck Sted, President & Chief Executive Officer of Hawai'i Pacific Health (HPH). Hawai'i Pacific Health is a nonprofit health care system and the state's largest health care provider, committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four affiliated hospitals, 44 outpatient clinics and more than 2,200 physicians and clinicians. The network is anchored by its four nonprofit hospitals: Kapi'olani Medical Center for Women & Children, Kapi'olani Medical Center at Pali Momi, Straub Clinic & Hospital and Wilcox Memorial Hospital. Collectively, they lead the state in the areas of women's health, pediatric care, cardiovascular services, bone and joint services and cancer care. Hawai'i Pacific Health ranks among the top 3.8 percent of hospitals nationwide in electronic medical record adoption, with system-wide implementation that allows its hospitals to offer integrated, coordinated care throughout the state. Learn more at: <http://www.hawaiipacifichealth.org>

HB 2094 would provide the authority for issuance of \$75 million in Special Purpose Revenue Bonds. Faced with increasingly high cost of facilities and equipment, many hospitals and healthcare providers are turning to lease financing as a more cost-effective way to manage cash flow and to ensure the availability of needed services on a timely basis.

Hawai'i Pacific Health will use the added capital to refinance an existing bank loan issued to refund tax exempt bonds and to finance renovation of its hospital facilities and purchase of medical equipment. This will allow us to provide health care services and meet the needs of our patients in a cost effective manner.

As you know, SPRBs are specifically authorized by the State Constitution and by State law (Chapter 39A) to assist nonprofit corporations that provide health care facilities to the general public. Because the bonds are technically issued by the State, they are tax-exempt, even though the State is not obligated to pay them. The requesting corporation makes all payments and pays all expenses associated with the bond issuance. The bonds have no effect on the State's debt ceiling or debt rating.

We ask for your help and support in passing HB 2094 from this committee. Thank you.



Affiliates of Hawai'i Pacific Health



SENATE COMMITTEE ON HEALTH
Senator David Ige, Chair

Conference Room 016
March 10, 2010 at 2:45 p.m.

Testimony in support of HB 2094.

The Healthcare Association of Hawaii represents its member organizations that span the entire spectrum of health care, including all acute care hospitals, as well as long term care facilities, home care agencies, and hospices. Thank you for this opportunity to testify in support of HB 2094, which authorizes the issuance of special purpose revenue bonds (SPRBs) for Hawaii Pacific Health.

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.

Hawaii Pacific Health intends to use the SPRBs as a means of financing health care facilities. In providing financial support to Hawaii Pacific Health, this bill will improve access to health care.

For the foregoing reasons, the Healthcare Association of Hawaii supports HB 2094.