

SR43



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

"Touching Lives Every Day"

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

**March 17, 2010
2:45 PM
Conference Room 016**

**SCR113 and SR43
REQUESTING THE ESTABLISHMENT OF A COMMITTEE TO DEVELOP A PLAN
TO STUDY AND IMPLEMENT STRUCTURAL AND OPERATIONAL
IMPROVEMENTS TO INCREASE THE EFFECTIVENESS OF THE HAWAII
HEALTH SYSTEMS CORPORATION AND ITS REGIONS.**

**Testimony of Alice M. Hall
Interim President and Chief Executive Officer**

Thank you for the opportunity to testify in support of SCR113 and SR43 requesting the establishment of a Committee on Transitioning the Hawaii Health Systems Corporation (HHSC).

As is recognized by the Legislature, HHSC also acknowledges the comprehensive independent review and evaluation of HHSC reported by Stroudwater Associates in December 2009. The Report offers definite direction to pursue in order to help sustain HHSC's future while enhancing the vision of quality health care to our island communities and reducing dependence on State subsidies. We recognize the impact that the dire economic condition confronting the State of Hawaii is having on lawmakers and their ability to respond effectively to the needs of all State agencies. We understand that the funding needed to fully plan and complete a transition to a private non-profit corporation, as recommended by the Report, is not available to HHSC.

Nonetheless, in the spirit of Acts 290 SLH 2007 and 182 SLH 2009, the HHSC Corporate Board remains committed to support a system-wide plan to pursue the objectives as outlined in the Report. At this point, two major collaborative efforts are being undertaken:

- Development of action plans to pursue the cost-efficiencies and revenue enhancement opportunities identified in the Report, both regional and system wide.

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- Development of a system strategic planning effort to examine possible structuring options, including those recommended in the Report. The planning sessions for this major effort are scheduled in April 2010.

Subsequently, HHSC expects to develop a viable structuring proposal out of this collaborative process, and will seek further review and input from its stakeholders.

We believe that the committee's work outlined in the Resolution could be another step in the strategic planning work being conducted by HHSC this spring and early summer. Input from the legislature, administration, and Healthcare Association of Hawaii, will be valuable. For that reason, we support the measure.



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

Testimony by
Hawaii Government Employees Association
March 17, 2010

SCR 113 - REQUESTING THE ESTABLISHMENT OF
A COMMITTEE TO DEVELOP A PLAN TO STUDY
AND IMPLEMENT STRUCTURAL AND OPERATIONAL
IMPROVEMENTS TO INCREASE THE
EFFECTIVENESS OF THE HAWAII HEALTH
SYSTEMS CORPORATION AND ITS REGIONS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes SCR 113. This resolution proposes to convene a committee to plan and collaborate among various stakeholders and potential partners, examination of potential sources of funding or capitalization and transition costs, examination of the Hawaii Health Systems Corporation's (HHSC) marketability and potential partnerships, and review of implementation of operational and organizational efficiencies identified in the audit conducted by Stroudwater Associates which was released in December 2009.

The resolution lists various "stakeholders" which includes HHSC's Regional Board Directors, Regional CEO's, the Corporate CEO, appointees by the Senate President and Speaker of the House, a State Administration representative and the CEO of the Healthcare Association of Hawaii. This resolution is fatally flawed as it fails to recognize two important stakeholders, the exclusive representatives of the employees which include the Hawaii Government Employees Association for bargaining units 02, 03, 04, 09 and 13, and the employees. Both the Union and selected employee representatives should be included in any decisions that could have an adverse effect on them.

In prior testimonies, the HHSC requested \$5 million to conduct a study to determine what would be required to convert the corporation to a 501(c)(3) non-profit entity. Due to severe budgetary shortfalls, there is insufficient monies to conduct a study at this time.

Thank you for the opportunity to submit our testimony is opposition of SCR 113.

Respectfully Submitted,

Nora A. Nomura

Deputy Executive Director

"Health care that is safe, health care that works, and health care that leaves no one behind"

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

**March 17, 2010 – 2:45 pm
Conference Room #016
Hawaii State Capitol**

Testimony Supporting SCR113 and SR43

Requesting the Establishment of a Committee to Develop a Plan to Study and Implement Structural and Operational Improvements to Increase the Effectiveness of the Hawaii Health Systems Corporation and its Regions.

**Howard N. Ainsley
East Hawaii Regional CEO**

Thank you for the opportunity to provide testimony regarding support of Senate Concurrent Resolution 113 and Senate Resolution 43. We support the intent of these resolutions, which is to establish a committee to study and plan the transformation of the Hawaii Health Systems Corporation to an organizational structure that responds more effectively to the health care needs of the island communities it serves.

Hospitals across the country are facing great difficulty these days – as a result of the economy, Recovery Audit Contractors, decreased reimbursement, uncontrollable costs, wait-listed patients, and physician shortage issues. Suffice it to say, the Hawaii Health Systems Corporation (HHSC) is in dire need of structural change. The level of health care being provided is at a pivotal point, as the costs related to the current structure could truly bankrupt the state. Further complicating our situation, the hospital reimbursement picture on a national scene will continue to ratchet down and shrink – or at best, grow ever so slowly over the next several years. Unfortunately, last year the HHSC hospitals did not receive Capital Improvement funding, and the impact of this delayed 2009 Capital spending has yet to be determined. In order for hospitals to survive, they must continue their projects to remain competitive and to replace aging facilities and equipment. Capital Improvements are crucial for hospitals to recruit physicians and to provide quality care that our respective communities expect. It is especially important to note that good financial governance requires a delicate daily balancing act that enables the organizations to move quickly.

The Hawaii Health Systems Corporation provides health care services that are vital to the State and accordingly, steps must be taken to ensure the Corporation's future financial viability and to reduce its dependence on state subsidies. The Stroudwater Report, a study commissioned by the Legislature, concluded that a complete transition to a not-for-profit corporation is the best option available for reorganizing the Corporation into the most efficient structure possible. The regional and corporate boards of the Corporation, after preliminary review and discussion, agree in principle with this approach.

SCR113 and SR43 for all intents and purposes, provides for improving effectiveness and efficiencies system-wide as it pertains to our current public benefit corporation. It speaks to the need to transition

HAWAII HEALTH SYSTEMS CORPORATION

the organization to another form such as a private non-profit 501(c)(3) corporation, eventually ending HHSC's status as an agency of the State. Additionally, SCR113 and SR43 provide the forward momentum that state hospitals need to survive through, and beyond, this economic recession.

The Hawaii Health Systems Corporation East Hawaii Region – Hilo Medical Center, Hale Ho'ola Hamakua, and Ka'u Hospital – favor the urgency of redesigning a more effective and efficient system. Concurrently, the HHSC East Hawaii Regional Board and leadership request your serious consideration of this important legislation and implore you to give us the tools to move ahead to create a more efficient and sustainable healthcare system.