



**Maui Memorial
MEDICAL CENTER**

Hawaii Health Systems Corporation — Maui Region

March 11, 2011

**TO: Representative Ryan I. Yamane, Chair
Representative Dee Morikawa, Vice Chair**

HOUSE COMMITTEE ON HEALTH

**March 15, 2011, 8:30 a.m.
Conference Room 329
State Capitol, 415 Beretania Street**

**FROM: Wesley Lo, CEO
Maui Regional System , HHSC**

RE: SB 414, SD 3 – RELATING TO HEALTH

Thank you for the opportunity to submit testimony in support of SB 414, SD 3. The purpose of this bill is authorize the Hawaii health systems corporation to mortgage its real property and clarifies that the dollar cap on municipal leasing authority applies to each regional system.

I support this measure because the ability to mortgage real property for the purposes of pursuing revenue bonds is critical to allow a region or regions to pursue outside financing. As you know, the Maui region pursued a revenue bond in order to finance part of the start up of the cardiovascular program at Maui Memorial Medical Center. Without this important access to capital, MMMC would not have been able to bring lifesaving heart procedures to the community.

Clarifying that the dollar cap on municipal leasing authority applies to each regional system is extremely important so that the healthcare facilities in the regions have access to adequate municipal lease financing in order to ensure that necessary equipment can be purchased in a timely manner in to provide for uninterrupted patient care. These funds can also be used for capital improvement projects such as life safety efforts required by the Joint Commission for accreditation.

Thank you again for the opportunity to testify in support of this measure.

Respectfully submitted,

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



March 13, 2011

**TO: The House Committee on Health
Representative Ryan Yamane, Chair
Representative Dee Morikawa, Vice Chair
Conference Room 329**

**FROM: Howard Ainsley, Regional Chief Executive Officer
Hawaii Health Systems Corporation, East Hawaii Region**

**RE: SENATE BILL 414, SD3, Relating to Hawaii Health Systems Corporation
Tuesday, March 15, 2011, 8:30 a.m.**

Thank you for providing the HHSC East Hawaii Region with an opportunity to testify in support of SB 414, SD3. We appreciate your interest in the HHSC facilities' needs of our community-hospital system and want to thank you for your strong support over the years.

HHSC Capital requests have been presented for your consideration over the years, and all HHSC regions have had to balance their space needs, maintenance needs, life-safety projects, and campus improvements in their capital programs. All of these projects are interrelated and of equal priority, depending on the particular needs of the facility.

At the same time, while we cannot always respond to the needs of a HHSC hospital as quickly as each region would like, the HHSC Corporate Board respects the facilities' priorities as they are presented by the region. Furthermore, we fully understand and support the need for a balanced approach to Capital development that includes building renovation, information technology infrastructure (electronic medical record), and other campus replacement and enhancement.

It's important to note, and as you are aware, that there are very limited sources of funds to allocate to these projects. Although our Capital program relies on the support we receive from the state in terms of General Obligation Bonds, we are fully aware of your desire to balance the needs of other state agencies against a variety of other needs in an environment of extremely constrained resources.

Consequently, the HHSC East Hawaii Region would like to express its full support of SB 414, SD3, which provides additional funding options for HHSC, by restoring and clarifying our mortgaging and municipal leasing authority, respectively.

Your support would greatly assist HHSC hospitals as they continue to respond effectively to the ever-changing and complex health care needs of the island communities we are honored to serve on a 24/7/365 basis. Sound equipment and infrastructure are key components to ensuring that hospital operations both remain uninterrupted and help to become more efficient.

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Hawaii Health Systems Corporation

The HHSC East Hawaii Region appreciates your consideration and continued support of this measure.

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Hawaii Health Systems Corporation



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

"Touching Lives Everyday"

**House Committee on Health
Representative Ryan Yamane, Chair
Representative Dee Morikawa, Vice Chair**

Tuesday, March 15, 2011

8:30 a.m.

Conference Room

Hawaii State Capitol

**Testimony Supporting Senate Bill 414 SD3, Relating to Health
Authorizes the Hawaii Health Systems Corporation to mortgage its real property
and clarifies that the dollar cap on municipal leasing authority applies to each
regional system. (SD3)**

Alice M. Hall

Interim President and Chief Executive Officer

Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in strong support of SB 414 SD3 that authorizes HHSC to mortgage its real property and clarifies the cap on municipal leasing authority.

With the on-going support of the Legislature, the community-hospital system continues to work hard to meet the needs of its patients, including those that are insured, uninsured, underinsured, or covered by Medicaid and Medicare programs. HHSC facilities continue to be major providers of acute, long-term and rural health care for thousands of patients throughout the State of Hawaii. The experience and expertise of Hawaii's safety-net health system in caring for vulnerable populations during both good and bad economic times is instrumental in moving toward an improved, effective, and efficient health care system.

At the same time, the community-hospital system's continued ability to respond to the ever-changing healthcare needs of its communities is crucial. A critical component of such a response depends on how best HHSC is able to maintain its safety-net financing. Although HHSC hospitals manage to operate with the funding they receive from a variety of sources – including private pay, Medicaid, Medicare, private insurance, as well as state subsidy – it remains a struggle to finance important hospital projects that improve both patient quality health care and patient safety. These pressures –

combined with increasing costs for employee wages, equipment, training, and medical supplies – require HHSC to make tough choices between meeting the demand for patient care services, investing in technology, and maintaining infrastructure. With further healthcare reform expected in the near future, keeping safety-net funding in place is even more important to ensure that healthcare access remains intact for all of the island communities that have come to depend on our services.

And further coupled by the state's extremely limited resources, HHSC requests that this Committee consider lifting the prohibition on mortgages of HHSC real property as prescribed in Act 182, (Session Laws of Hawaii, 2009) in order to give the corporation an optional funding source, in addition to clarifying that the \$25 million limit on municipal leases is per region, annually.

For the former, such an amendment would allow HHSC and its five regions (i.e., East Hawaii, West Hawaii, Maui, Oahu, and Kauai) issuance of revenue bonds, which is a valuable financing option. The proposed measure would also enable HHSC an ability to leverage with financial lenders during periods when interest rates are low.

With regard to the municipal leasing cap clarification, it is essential for the HHSC regions to have the ability to enter into municipal leases in an amount that is adequate enough to ensure that there is no interruption of services. Additionally, the proposed change would provide procurement relief with equipment purchases that have a significant lifespan by not requiring the total amount of purchase up front. Such a funding option would also enable HHSC to implement priority and/or life-safety code capital improvement projects that the state is unable to fund in whole or in part.

HHSC is seeking \$47.8M in CIP funding just for the electronic medical record/health information systems project for the next biennium budget period. In the event the legislature is unable to finance this request, HHSC will need to be able to use these financing tools to borrow the money for this essential project.

Following further discussion with both the House and Senate leadership, HHSC is recommending two changes to the bill, as follows:

1. Paragraph 323F-7(c) (19) should end with the following clause: "provided further that this paragraph shall not be construed to authorize the sale [, pledge, or mortgage] of real property under the control of the corporation or a regional system board." We are not asking for a deletion of the language that prohibits the sale of property; and
2. Insert a sunset of 6 years, to make it consistent with the state financial plan.

Thank you for the opportunity to testify before this committee. We would respectfully urge the Committee's support of this measure.