



**HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

**HOUSE COMMITTEE ON FINANCE  
Representative Sylvia Luke, Chair  
Representative Scott Y. Nishimoto, Vice Chair  
Representative Aaron Ling Johanson, Vice Chair**

**Monday April 1, 2013  
2:00 P.M.  
Conference Room 308  
Hawaii State Capitol**

**Testimony supporting SB 1336, SD2, RELATING TO HEALTH CARE.  
Designates the Kahuku medical center as a rural hospital.**

Bruce S. Anderson, Ph.D.  
President and Chief Executive Officer  
Hawaii Health Systems Corporation

Hawaii Health Systems Corporation (HHSC) strongly supports SB 1336, SD2, which will assist Kahuku Medical Center (Kahuku) in retaining its federal critical access hospital status. The federal government recently determined that Oahu does not contain any "rural areas" for purposes of critical access designation. However, the State Legislature can designate a hospital as being a rural hospital. It is our understanding that this measure is needed in order to allow Kahuku to obtain rural hospital status, which will result in Kahuku being able to retain its critical access hospital status, and thereby continue to receive better reimbursement rates in federal medical programs, such as Medicare. Kahuku, like all of the small rural hospitals, struggles financially. The legislature has subsidized Kahuku for the past several years by appropriating \$1.5 M in general fund support. Without the critical access hospital designation, Kahuku's deficits will increase.

Thank you for the opportunity to speak in strong support of this measure.

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HOUSE COMMITTEE ON FINANCE  
Rep. Sylvia Luke, Chair

April 1, 2013 at 2:00 p.m.  
Conference Room 308

**Supporting SB 1336 SD 2: Relating to Health Care**

The Healthcare Association of Hawaii advocates for its member organizations that span the entire spectrum of health care, including all acute care hospitals, a majority of home health agencies and hospices, as well as long term care facilities and other health care organizations. Our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide, delivering quality care to the people of Hawaii.

Thank you for this opportunity to testify in support of 1336 SD 2, which designates Kahuku Medical Center as a rural health hospital for the purpose of maintaining its critical access hospital (CAH) designation.

The primary benefit of the CAH program is to exempt designated facilities from the prospective payment system (PPS) because those payments are below the actual costs of care. Instead, CAH facilities receive cost-based reimbursements from Medicare and Medicaid. This enables small rural hospitals to:

- (1) Maintain primary and emergency health care services;
- (2) Offer a range of health care services that meet the needs of the community citizens; and
- (3) Remain financially viable.

CAH designation is especially critical to Kahuku Medical Center because six years ago it was planning to close due financial problems. However, it affiliated with the Hawaii Health Systems Corporation and its public hospitals. Although closure was averted, Kahuku Medical Center continues to face fiscal challenges. Furthermore, the CAH designation of Kahuku Medical Center has been recently threatened. This bill is designed to ensure that Kahuku Medical Center maintains its designation as a CAH so that it can continue to operate. This will enable the residents of Oahu's isolated North Shore community to have continued timely access to hospital care.

For the foregoing reasons the Healthcare Association of Hawaii supports SB 1336 SD 2.



# KAHUKU MEDICAL CENTER

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**Monday April 1, 2013**  
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**Testimony supporting SB 1336, SD2, RELATING TO HEALTH CARE.**  
**Designates the Kahuku medical center as a rural hospital.**

Dee-Ann Kekahuna on behalf of  
**STEPHANY VAIOLETI**  
**Administrator**  
**Kahuku Medical Center**

SB 1336, SD2, will assist Kahuku Medical Center (KMC) in retaining its federal critical access hospital status. The federal government recently determined that Oahu does not contain any "rural areas" for purposes of critical access designation. However, the State Legislature can designate a hospital as being a rural hospital. It is our understanding that this measure is needed in order to allow KMC to obtain rural hospital status, which will result in KMC being able to retain our critical access hospital status, and thereby, continue to receive better reimbursement rates in federal medical programs, such as Medicare. KMC, like all of the small rural hospitals, struggles financially. The legislature has subsidized KMC for the past several years by appropriating \$1.5 M in general fund support. We sincerely appreciate the ongoing operational and capital improvement subsidies. Without this critical access hospital designation, KMC's deficits will increase.

Thank you for the opportunity to speak in strong support of this measure.