

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HEALTH AND LABOR AND  
PUBLIC EMPLOYMENT  
ON  
SENATE BILL NO. 3064, S.D. 2

March 19, 2014

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION

Senate Bill No. 3064, S.D. 2, amends Chapter 323F, HRS, to allow the Hawaii Health Systems Corporation (HHSC), a regional system or a combined regional system of two or more regional systems to transition to a nonprofit hospital corporation incorporated in the State before January 1, 2000. The bill specifies the following conditions for the transfer:

- The transition may occur through the sale, lease or transfer of assets; provided that any real property is to be transferred only by lease.
- The nonprofit hospital corporation is to maintain equivalent hospital services for no less than five years.
- The nonprofit hospital corporation is to receive State general fund support “sufficient to maintain equivalent hospital services . . . for no less than five years.”
- All liabilities of the entities transitioning into a nonprofit hospital corporation that were transferred to HHSC upon its creation by Act 262, SLH 1996, and all liabilities of the transitioning entities related to State negotiated collective bargaining contracts, including all benefits, pensions and financial obligations are to be the State’s responsibility.

The Department of Budget and Finance supports the general intent of transitioning HHSC into “a more economically efficient system of health care delivery.” However, the bill could be improved to address some areas of concern:

- It is unclear what is meant by “general fund support sufficient to maintain equivalent hospital services in the acquired regions.” Is the general fund support equal to what HHSC or a region is receiving currently? Does the level of support increase due to inflation or other cost increases? Does the support end at the end of the fifth year?
- It is unclear what is meant by all liabilities transferred to HHSC or a region and all liabilities related to collective bargaining contracts. Is there a baseline of accounting of these liabilities so a determination can be made of what was transferred? Do the liabilities for collective bargaining contracts include all of the salaries of HHSC employees or only the differential covered by general fund subsidies? What is envisioned – continued general fund payments to the nonprofit hospital corporation for these liabilities on an annual basis, a lump sum payment, or something else?
- What happens to the various applicable collective bargaining contracts and State pension and health benefits from the point of transition? Does the nonprofit hospital corporation assume responsibility? Can the nonprofit hospital negotiate a new contract and new pension and health benefits?
- Does the nonprofit hospital assume responsibility for constructing, upgrading, maintaining and repairing facilities and equipment from the point of transition?

- Is the nonprofit hospital corporation responsible for ceded lands revenue payments for facilities on ceded lands?

Further, the proposed bill does not appear to address the underlying issues that plague HHSC. At a minimum, we believe that a complete and thorough analysis needs to be undertaken in the context of the State's role in providing health care services and the extent to which the State can or should subsidize these operations. We also believe the implementation plan addressing the policies, resources, and liabilities of the State should be reviewed and approved by the Governor and the Legislature.

Many of the aspects contemplated in this bill are surely to be more thoroughly deliberated during the negotiation process with any transition entity. Therefore, I believe statutory legislation should be sufficiently general to allow for business negotiations that can be structured to be of the best value to the State, taxpayers, and HHSC operational concerns.



**LATE**

NEIL ABERCROMBIE  
GOVERNOR

EXECUTIVE CHAMBERS  
HONOLULU

Testimony in **support of the intent** of SB3064 SD2  
Relating to the Hawaii Health Systems Corporation

Committee on Health  
Representative Della Au Belatti, Chair  
Representative Dee Morikawa, Vice Chair

Committee on Labor & Public Employment  
Representative Mark M. Nakashima, Chair  
Representative Kyle T. Yamashita, Vice Chair

Room 329

March 19, 2014  
10:25 am

Chair Belatti, Chair Nakashima, Vice Chair Morikawa, Vice Chair Yamashita, and members of the Joint Committee:

Thank you for hearing Senate Bill No. 3064, Relating to the Hawaii Health Systems Corporation (HHSC). The Office of the Governor **supports the intent** of S.B. No. 3064, S.D. 2, to allow for the transition of HHSC. We have been monitoring this bill and believe that a proposal to address the potential of a public-private partnership for the HHSC is an important endeavor.

As such, we have attached a **Proposed HD1** for your consideration. This is still largely a DRAFT that we have provided to facilitate further discussion, and the contents therein are not meant to necessarily be a strict policy position in the event that there are issues or perspectives that are not incorporated or addressed. Instead, we respectfully request that the bill be passed to ensure further discussion on this as a work in progress.

The current structure of HHSC is not sustainable for the long-term delivery of quality healthcare services for residents, especially those on the neighbor islands. The 2009 Stroudwater Report, commissioned by the Legislature, recommended that HHSC focus on efficiencies of scale, expand its expertise, and develop a more integrated clinical delivery system that may include engaging a capital operating partner as the most effective option for the future.

We are mindful that there needs to be a balance between the various interests of the state, community, employees, and labor to provide health services in the community. S.B. No. 3064 allows for a transition to be negotiated between public and private interests and is a necessary step to insure the future of HHSC.

Thank you for this opportunity to provide testimony in support of the intent of S.B. No. 3064.

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# A BILL FOR AN ACT

**LATE**

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. The legislature finds that the continued  
3 financial challenges faced by the Hawaii health systems  
4 corporation and the State pose a risk to the public health  
5 services provided by the corporation. These factors also hinder  
6 efforts to improve the quality of health care services provided  
7 in many of the State's rural communities.

8 The legislature further finds that since 1971, reports to  
9 the legislature have recommended the establishment of a hospital  
10 system for accomplishing the management, planning, and control  
11 functions of public hospitals in the State. Studies have  
12 recommended the establishment of a hospital authority, a public  
13 benefit corporation, or a nonprofit corporation to accomplish  
14 these functions.

15 The legislature additionally finds that Act 182, Session  
16 Laws of Hawaii 2009, authorized the regional systems or  
17 individual facilities of the Hawaii health systems corporation  
18 to transition into a new legal entity to improve the efficiency

1 of the hospital system and benefit the health care of the people  
2 of the State.

3 The legislature recommends that the transition first  
4 authorized in 2009 be carefully evaluated with input from  
5 community representatives, including medical and health care  
6 providers and professionals, hospital and facility staff,  
7 consumers in the affected regions, and knowledgeable individuals  
8 in appropriate areas such as business, finance, and law.

9 The purpose of this Act is to establish guidelines for the  
10 transitioning of the Hawaii health systems corporation, a  
11 regional system, or a combination of regional systems to a more  
12 economically efficient system to promote the delivery of high  
13 quality health care in the communities being served, while  
14 reducing or eliminating the need for state subsidies during the  
15 transition.

16 PART II

17 SECTION 2. Chapter 323F, Hawaii Revised Statutes, is  
18 amended by adding a new part to be appropriately designated and  
19 to read as follows:

20 **"PART . TRANSITION OF HAWAII HEALTH SYSTEMS CORPORATION,**  
21 **REGIONAL SYSTEM, OR COMBINED REGIONAL SYSTEM**

1           **§323F-A Hawaii health systems corporation; transition**

2 **authority.** Notwithstanding any other law to the contrary, the  
3 corporation, a regional system, or a combined regional system of  
4 two or more regional systems may transition to a new healthcare  
5 management system organized under the laws of the State as a:

- 6           (1) Nonprofit corporation;
- 7           (2) For-profit corporation;
- 8           (3) Public benefit corporation; or
- 9           (4) Any two or more of the entities in paragraphs (1)  
10           through (3).

11 A transition shall occur through the sale, lease, or transfer of  
12 the assets of the corporation, regional system, or combined  
13 regional system, to implement a more economically efficient  
14 system of health care delivery in the communities being served;  
15 provided that any real property shall only be transferred by  
16 lease.

17           **§323F-B Transition board.** (a) The transition board of  
18 directors shall be chaired by the governor or governor's  
19 designee, and the board shall consist of the director of budget  
20 and finance or designee, the attorney general or designee, and  
21 additional members representative of the corporation board and  
22 regional system board or boards that are affected. The governor

1 or governor's designee and the board shall serve until a new  
2 healthcare management system and transition plan is selected.

3 Additional members shall be selected by the governor.

4 With the exception of the governor, all members of the  
5 transition board shall be residents of the region they  
6 represent. The terms of the members of the transition board  
7 shall be for four years. New members of the transition board  
8 shall be selected by a two-thirds affirmative vote of the  
9 existing transition board members.

10 **§323F-C Transition board; powers.** (a) The transition  
11 board shall assist the governor in implementing, reviewing, and  
12 negotiating the transitioning of the corporation, a regional  
13 system, or a combined regional system of two or more regional  
14 systems to a new healthcare management system. The governor  
15 shall serve as the chair of the transition board.

16 (b) The transition board shall:

17 (1) Give notice inviting healthcare management systems,  
18 with expertise and experience in operating an  
19 integrated clinical health care delivery system, to  
20 submit a transition plan for the transformation of the  
21 management structure and healthcare delivery system of  
22 the corporation, regional system, or combined regional



- 1 systems pursuant to the transition plan criteria in  
2 section 323F-D;
- 3 (2) Evaluate the transition plans and any other pertinent  
4 information submitted;
- 5 (3) Consult with the medical staff, hospital staff, and  
6 the affected communities on the transition plans that  
7 have been submitted;
- 8 (4) Based on the transition board's findings, select a  
9 transition plan that meets the requirements of section  
10 323F-D;
- 11 (5) Enter into contracts, leases, agreements, or other  
12 transactions with the selected healthcare management  
13 system to execute the transition plan approved by the  
14 transition board to operate, manage, and control the  
15 public health facilities in the region or regions;
- 16 (6) Monitor the execution of the transition plan by the  
17 selected healthcare management system and develop  
18 measures to determine the effectiveness of the  
19 healthcare management system in achieving the outcomes  
20 proposed in the transition plan;
- 21 (7) If general funds are requested by the selected  
22 healthcare management system during the period of

1 transition, submit to the legislature a proposed  
2 budget for which the funds are to be used;

3 (8) After the period of transition, monitor the activities  
4 of the selected healthcare management system to  
5 ensure:

6 (A) The basic health needs of the communities being  
7 served are fulfilled through the provision of  
8 adequate and accessible services and facilities;  
9 and

10 (B) The efficient execution of budgeting, personnel,  
11 procurement, fiscal, capital planning, and  
12 accounting policies; and

13 (9) Approve the issuance of revenue bonds, as provided in  
14 sections 323F-7(c)(15)(A) and 323F-7(c)(15)(B).

15 (c) The transition board shall submit a report to the  
16 governor and to the legislature twenty days prior to the  
17 convening of each regular session on the achievements of the  
18 selected healthcare management system in meeting the goals  
19 proposed in the transition plan and the health care needs of the  
20 communities being served.

21 **§323F-D Transition plan; criteria.** (a) The transition  
22 board shall develop the criteria for evaluating and selecting a

1 plan for the transitioning of the corporation, a regional  
2 system, or a combined regional system to a new healthcare  
3 management system. The transition plan shall include  
4 requirements for:

- 5 (1) A governance and management structure that will  
6 improve the performance of the hospitals and  
7 facilities of the corporation, regional system, or  
8 combined regional systems;
- 9 (2) Applying efficiencies of scale, consolidation of  
10 shared services, and administrative and technological  
11 expertise to improve the health care performance of  
12 the hospitals and facilities of the corporation,  
13 regional system, or combined regional system;
- 14 (3) Implementing of the operational efficiencies and a  
15 financial structure that will reduce or eliminate the  
16 need for state subsidies during the period of  
17 transition;
- 18 (4) Establishing a personnel system that is exempt from  
19 title 7; and notwithstanding any law to the contrary,  
20 including but not limited to chapters 77, 89, and 89A,  
21 and notwithstanding any provision of a collective  
22 bargaining agreement to the contrary to enter into

1           agreements that provide for non-public operation of  
2           its health facility or facilities without the need to  
3           bargain or consult over that decision; provided that  
4           the rights of the employees under article XIII,  
5           section 1, of the Hawaii state constitution shall not  
6           be abridged; and

7           (5) Protecting and promoting the health care needs of the  
8           areas being served and delivering a high quality of  
9           clinical care and patient services.

10          (b) To develop the criteria for the transition plan, the  
11 transition board shall consider:

12          (1) Issues relating to the decline of revenues and growth  
13          of expenses;

14          (2) Implementation of measures to more effectively and  
15          efficiently administer the delivery and monitoring of  
16          health care;

17          (3) Required improvements to the physical facilities of  
18          the system to more efficiently deliver health care in  
19          the communities being served; and

20          (4) Workforce requirements to maintain, improve, or expand  
21          health care in the communities being served.

1           **§323F-E Transition plan; legislative disapproval.** Any  
2 transition plan selected by a transition board shall be subject  
3 to disapproval by the legislature by a two-thirds vote of either  
4 the senate or the house of representatives or by a majority vote  
5 of both, in any regular or special session next following the  
6 date of the selection of the transition plan.

7           **§323F-F Liabilities; period of transition.** (a) Any and  
8 all liabilities of the corporation, regional system, or combined  
9 regional system transitioning into a new healthcare management  
10 system that were transferred to the Hawaii health systems  
11 corporation upon its creation by Act 262, Session Laws of Hawaii  
12 1996, and all liabilities of the corporation, regional system,  
13 or combined regional system related to collective bargaining  
14 contracts negotiated by the State, shall become the  
15 responsibility of the State.

16           (b) As used in this section, "period of transition" means  
17 the time in the transition plan submitted by the selected  
18 nonprofit corporation during which structural, operational, and  
19 financial changes are implemented by the selected nonprofit  
20 corporation to promote the delivery of high quality health care  
21 in the areas being served, while reducing or eliminating the  
22 need for state subsidies."

1 SECTION 3. Section 323F-7.6, Hawaii Revised Statutes, is  
2 repealed.

3 [~~§323F-7.6~~] ~~Transition of Hawaii health systems regional~~  
4 ~~system or health facility to a new entity.~~ (a) ~~Notwithstanding~~  
5 ~~any other law to the contrary, including but not limited to~~  
6 ~~section 27-1 and chapter 171, any of the regional systems or~~  
7 ~~individual facilities of the Hawaii health systems corporation~~  
8 ~~is hereby authorized to transition into a new legal entity in~~  
9 ~~any form recognized under the laws of the State, including but~~  
10 ~~not limited to:~~

- 11 (1) ~~A nonprofit corporation;~~  
12 (2) ~~A for-profit corporation;~~  
13 (3) ~~A municipal facility;~~  
14 (4) ~~A public benefit corporation; or~~  
15 (5) ~~Any two or more of the entities in paragraphs (1)~~  
16 ~~through (4).~~

17 ~~A transition shall occur through the sale, lease, or transfer of~~  
18 ~~all or substantially all of the assets of the facility or~~  
19 ~~regional system, except for real property which shall only be~~  
20 ~~transferred by lease. Any transition shall comply with chapter~~  
21 ~~323D.~~

1       ~~(b) A transition shall only occur upon approval of the~~  
2 ~~appropriate regional system board in the case of a regional~~  
3 ~~system or individual facility transition, or upon approval of~~  
4 ~~the regional system boards and the corporation in the case of~~  
5 ~~the transition of the entire corporation. Any transition shall~~  
6 ~~be subject to legal review by the attorney general who shall~~  
7 ~~approve the transition if satisfied that the transition conforms~~  
8 ~~to all applicable laws, subject to the review of the director of~~  
9 ~~the department of budget and finance who shall approve the~~  
10 ~~transition if it conforms to all applicable financing~~  
11 ~~procedures, and subject to the governor's approval. In addition~~  
12 ~~the transition shall be subject to the following terms and~~  
13 ~~conditions:~~

14       ~~(1) All proceeds from the sale, lease, or transfer of~~  
15       ~~assets shall be used for health care services in the~~  
16       ~~respective regional system or facility, except that~~  
17       ~~real property shall only be transferred by lease;~~

18       ~~(2) Any and all liabilities of a regional system or~~  
19       ~~facility transitioning into a new entity that were~~  
20       ~~transferred to the Hawaii health systems corporation~~  
21       ~~upon its creation by Act 262, Session Laws of Hawaii~~  
22       ~~1996, and all liabilities of the regional system or~~

1 ~~facility related to collective bargaining contracts~~  
2 ~~negotiated by the State, shall become the~~  
3 ~~responsibility of the State; and~~

4 ~~(3) During the period of transition:~~

5 ~~(A) The State shall continue to fund the provision of~~  
6 ~~health care services provided for by the regional~~  
7 ~~system or individual facility; and~~

8 ~~(B) All applicable provisions of this chapter shall~~  
9 ~~continue to apply.~~

10 ~~Upon the completion of the transition of all the facilities~~  
11 ~~in a regional system to a new entity, the regional system board~~  
12 ~~for that regional system shall terminate; provided that if not~~  
13 ~~all of a regional system's facilities are transitioned to a new~~  
14 ~~entity, the existing regional system board shall not terminate~~  
15 ~~but shall continue to retain jurisdiction over those facilities~~  
16 ~~remaining in the regional system." ]~~

17 PART III

18 SECTION 4. Section 89-6, Hawaii Revised Statutes, is  
19 amended as follows:

20 1. By amending subsections (a) and (b) to read:



1           "(a) All employees throughout the State within any of the  
2 following categories shall constitute an appropriate bargaining  
3 unit:

- 4           (1) Nonsupervisory employees in blue collar positions;
- 5           (2) Supervisory employees in blue collar positions;
- 6           (3) Nonsupervisory employees in white collar positions;
- 7           (4) Supervisory employees in white collar positions;
- 8           (5) Teachers and other personnel of the department of  
9 education under the same pay schedule, including part-  
10 time employees working less than twenty hours a week  
11 who are equal to one-half of a full-time equivalent;
- 12          (6) Educational officers and other personnel of the  
13 department of education under the same pay schedule;
- 14          (7) Faculty of the University of Hawaii and the community  
15 college system;
- 16          (8) Personnel of the University of Hawaii and the  
17 community college system, other than faculty;
- 18          (9) Registered professional nurses;
- 19          (10) Institutional, health, and correctional workers;
- 20          (11) Firefighters;
- 21          (12) Police officers;

- 1 (13) Professional and scientific employees, who cannot be  
2 included in any of the other bargaining units; [~~and~~]
- 3 (14) State law enforcement officers and state and county  
4 ocean safety and water safety officers[~~-~~]; and
- 5 (15) Employees of the Hawaii health systems corporation who  
6 were as of January 1, 2014, in any of units (1)  
7 through (14); provided that such employees will  
8 continue to be covered by the collective bargaining  
9 agreements in effect as of that date except that such  
10 collective bargaining agreements shall be renegotiated  
11 once the employer enters into an agreement to form a  
12 new entity pursuant to section 323F-A.
- 13 The employees of the Hawaii health systems  
14 corporation, a regional system, or a combined regional  
15 system of two or more regional systems electing to  
16 transition to a new healthcare management system shall  
17 continue to be covered by the collective bargaining  
18 agreements in effect upon the establishment of a  
19 transition board; provided that the governor, assisted  
20 by the transition board, shall negotiate with the new  
21 healthcare management system, the terms and conditions  
22 of employment which are subject to collective

1           bargaining which are to be embodied in a written  
2           agreement prior to the period of transition of the  
3           selected transition plan.

4           (b) Because of the nature of work involved and the  
5           essentiality of certain occupations that require specialized  
6           training, supervisory employees who are eligible for inclusion  
7           in units (9) through [~~(14)~~] (15) shall be included in units (9)  
8           through [~~(14)~~] (15), respectively, instead of unit (2) or (4)."

9           2. By amending subsection (d) to read:

10          "(d) For the purpose of negotiating a collective  
11          bargaining agreement, the public employer of an appropriate  
12          bargaining unit shall mean the governor together with the  
13          following employers:

14           (1) For bargaining units (1), (2), (3), (4), (9), (10),  
15           (13), [~~and~~] (14), and (15), the governor shall have  
16           six votes and the mayors, the chief justice, and the  
17           Hawaii health systems corporation board shall each  
18           have one vote if they have employees in the particular  
19           bargaining unit;

20           (2) For bargaining units (11) and (12), the governor shall  
21           have four votes and the mayors shall each have one  
22           vote;

1 (3) For bargaining units (5) and (6), the governor shall  
2 have three votes, the board of education shall have  
3 two votes, and the superintendent of education shall  
4 have one vote; and

5 (4) For bargaining units (7) and (8), the governor shall  
6 have three votes, the board of regents of the  
7 University of Hawaii shall have two votes, and the  
8 president of the University of Hawaii shall have one  
9 vote.

10 Any decision to be reached by the applicable employer group  
11 shall be on the basis of simple majority, except when a  
12 bargaining unit includes county employees from more than one  
13 county. In that case, the simple majority shall include at  
14 least one county."

15 SECTION 5. No employee who is separated from service as a  
16 result of the transition of the Hawaii health systems  
17 corporation, a regional system board, or a combined regional  
18 system board to a new healthcare management system shall suffer  
19 any loss of retirement allowance earned as provided in section  
20 88-74, Hawaii Revised Statutes.

21 PART IV

1           SECTION 6. In codifying the new sections added by section  
2 2 of this Act, the revisor of statutes shall substitute  
3 appropriate section numbers for the letters used in designating  
4 the new sections in this Act.

5           SECTION 7. Statutory material to be repealed is bracketed  
6 and stricken.

7           SECTION 8. This Act shall take effect upon its approval.

8

**Report Title:**

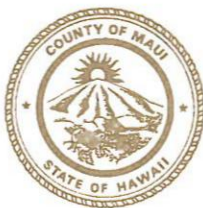
Hawaii Health Systems Corporation; Transition Guidelines

**Description:**

Establishes guidelines for the transitioning of the Hawaii Health Systems Corporation, a regional system, or a combination of regional systems, to a more economically efficient system to promote the delivery of high quality healthcare in the communities being served, while reducing or eliminating the need for state subsidies during the transition. (PROPOSED SB3064 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

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MAYOR



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## OFFICE OF THE MAYOR

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

### TESTIMONY OF ALAN ARAKAWA, MAYOR COUNTY OF MAUI

BEFORE THE HOUSE  
COMMITTEE ON HEALTH

and

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Wednesday, March 19, 2014, 10:25 a.m., Conference Rm. 329

### **SENATE BILL 3064, SD2** RELATING TO HAWAII HEALTH SYSTEMS CORPORATIONS

The Honorable Rep. Della Au Belatti, Chair  
Honorable Rep. Dee Morikawa, Vice Chair  
And Members of the House Committee on Health

The Honorable Rep. Mark M. Nakashima, Chair  
Honorable Rep. Kyle T. Yamashita, Vice Chair  
And Members of the House Committee on Labor & Public Employment

**Thank you for this opportunity to testify in support of SB 3064 relating to the Hawaii Health Systems Corporations.**

This measure would provide the option of a public-private partnership and establish guidelines for the transition of the Hawaii Health Systems Corporation to a non-profit hospital corporation.

As Mayor of Maui County, I can support this measure for the following reasons:

- I believe that we have some of the best doctors, nurses, and staff at the Maui Memorial Medical Center, Kula Hospital and Clinic, and the Lanai Community Hospital. However, as currently structured, the Hawaii Health Systems Corporation is neither financially self-sufficient nor able to ensure the long-term delivery of quality health care services to the people of Maui County. Passage of this bill is essential for the delivery and sustainability of quality health care for the residents of Maui County.

**LATE**

Reps. Della Au Belatti/M. Nakashima  
SB 3064, SD2 relating to the  
Hawaii Health Systems Corporations  
March 19, 2014  
Page 2 of 2

- The aging facilities continue to require costly repairs and updates in order to provide for the safety and well-being of medical personal/employees and patients. Furthermore, operating costs continue to rise while government funding continues to decline.
- Exploring the option of a private-public partnership may reduce dependence on government subsidies, while ensuring that our neighbor island residents continue to have access to quality health care services.

While I can support this important measure, I would respectfully urge this committee to:

- Amend the bill by deleting the clause “incorporated in the State before January 1, 2000,” as this would restrict any choices and hinder any community driven decision-making. As I see it, it’s better to keep all options open for discussion.
- Require that the State continue meeting all financial obligations to public employees, including all benefits, pensions, and other financial obligations negotiated with public employees’ unions before the effected date of this measure.
- Assure transparency and community participation by allowing stakeholders, including medical staff, hospital staff, and community stakeholders, to provide input prior to any final decision on the choices.
- Require that any partnership would provide fair and competitive wages and benefits for staff.

Thank you for this opportunity to offer testimony in support of SB 3064, SD2.





**KAUAI REGION**  
**WEST KAUAI MEDICAL CENTER**  
(DBA KAUAI VETERANS MEMORIAL HOSPITAL AND WAIMEA & PORT ALLEN CLINICS)  
**MAHELONA MEDICAL CENTER**  
(DBA SAMUEL MAHELONA MEMORIAL HOSPITAL)  
**WEST KAUAI CLINIC – KALAHEO**

*HAWAII HEALTH SYSTEMS CORPORATION*

*Scott E. McFarland*  
*Interim Regional CEO*

Tuesday, March 18, 2014

**HOUSE COMMITTEE ON HEALTH**  
**Representative Della Au Belatti, Chair**  
**Representative Dee Morikawa, Vice Chair**

**HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT**  
**Representative Mark M. Nakashima, Chair**  
**Representative Kyle T. Yamashita, Vice Chair**

Wednesday, March 19, 2014  
Conference Room 329  
10:25 a.m.  
Hawaii State Capitol  
415 South Beretania Street

**Testimony STRONGLY SUPPORTING Senate Bill 3064, SD 2 (SSCR 2683), RELATING TO HAWAII HEALTH SYSTEMS CORPORATION (HHSC).**

Scott E. McFarland  
Interim Regional CEO – Hawaii Health Systems Corporation, Kauai Region  
West Kauai Medical Center/Kauai Veterans Memorial Hospital  
West Kauai Clinics – Waimea, Port Allen, Kalaheo  
Mahelona Medical Center/Samuel Mahelona Memorial Hospital

On behalf of the Hawaii Health Systems Corporation (HHSC) Kauai Region Board of Directors, thank you for the opportunity to present testimony in **STRONG SUPPORT** of Senate Bill 3064, SD 2 (SSCR 2683), RELATING TO HAWAII HEALTH SYSTEMS CORPORATION (HHSC).

**What are the immediate, near-term fiscal challenges facing HHSC Kauai Region?**

**Historically Low In-Patient Hospital Admissions for KVMH and SMMH and Low Long Term Care Census for SMMH. Our Region's two (2) Critical Access Hospitals (CAH) and one (1) of its Licensed Long Term Care Facilities (SMMH) have had persistently low patient and resident censuses since November 2013. The Region is approaching nearly 150**

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days of this low in-patient hospital census reality which likely means the trend is going to hold for the two (2) HHSC CAHs on the Island. When you “back out” the our Region’s Long Term Care Residents (68 in total) from the census, our hospital-based physicians have only been seeing between 45 and 50 patients on a typical day, with nearly half of those patients being seen by the Emergency Department at SMMH which is in close proximity to our Island’s densest and largest population base.

This is not necessarily bad news. If fewer people are in need of hospital services, it likely means the overall health of our communities is IMPROVING and is being BETTER managed by Primary Care Providers.

The great news is that our Region’s **Primary Care Clinics** are consistently seeing over **150 patients per day** and over **200 patients on busier days** when colds and flus are prevalent in our neighborhoods. In the months ahead, the Kauai Region is consolidating its Primary Care service locations to achieve operating and financial efficiencies as existing third party leases expire. Also on a positive note, both the Region’s Emergency Departments (KVMH and SMMH) continue to perform well and be viewed as core medical services that our Kauai Westside and Eastside communities value, appreciate, and expect. The Region’s Obstetrics and Gynecology team is strongly performing, and KVMH’s Licensed Long Term Care Facility is at maximum resident capacity (20 beds) with a waiting list.

Conversely, SMMH’s Licensed Long Term Care Facility (64 beds) has struggled to keep its resident census above 50 given the site’s aging physical plant and its institutional, multi-resident (2 to 4 resident patients) room constraints.

The early trend on Kauai appears to be that the Island’s Primary Care Physicians are keeping more patients out of the Island’s two (2) CAHs with Population Health Management/Patient Centered Medical Homes and are being rewarded with the Quality Payments and Capitated Payments that accompany these patient management strategies. This is actually a really good thing...and an underlying purpose to the Affordable Care Act (Obama Care). Our Region’s HHSC-employed Primary Care Physicians are having much early success with Population Health Management approaches.

Long story short...the Fee For Service “heads in hospital beds” model of the past is quickly going away...especially for Kauai’s HHSC-owned and operated CAHs. There are encouraging early indications that Population Health Management, Accountable Care Organizations, and Patient-Centered Medical Homes are performing well on Kauai. The Region took this new “low census” reality and Population Health Management into consideration as it developed its new Living Strategic Plan as it promised it would during last November’s testimony for the \$7.3 million Emergency Appropriation for which the Kauai Region is especially grateful. We can report today that the Kauai Region’s new Living Strategic Plan is complete and has been ratified and endorsed by the HHSC Kauai Region Board.

Also impacting the Kauai Region are the modern realities that **operating costs for health care facilities continue to rise, while government funding continues to decline**, resulting in current losses and adding to future financial deficits. Factors increasing this gap include:

- Growing expenditures for **infrastructure maintenance and upgrades**, and **health IT improvements** to adhere to new Affordable Care Act requirements;
- Rising costs for **recruitment, retention and training**, which include offering competitive salaries, benefits and collective bargaining;
- **Unfunded bargaining mandates** and liabilities including health fund and retirement systems; and
- **Declining Medicare and State subsidies**, reduced Medicaid and private insurance payments, and effects from the federal budget sequestration.

### **What are the current needs of HHSC facilities Statewide?**

To continue to provide the same level of service and meet Affordable Care Act requirements, **HHSC facilities will require an increase in annual State subsidies**. Immediate needs include an emergency appropriation to cover underfunded collective bargaining raises, decrease in reimbursements from the Federal government, decrease in census (Kauai), and increased technology costs, such as, mandatory change in medical bill coding and electronic health record installations.

In order to maintain the existing level of services at its facilities, **HHSC will need an estimated \$1 billion in capital improvement funds over the next 10 years**. Currently there is only \$40 million available for the entire HHSC system to cover an estimated \$189 million for CIP and life safety needs.

### **How does this affect HHSC Kauai Region facilities, services, and people?**

**The Kauai Region's aging facilities are in need of major updating and repair** in order to provide for the well-being and safety of our employees and patients. Samuel Mahelona Memorial Hospital is nearly 100 years old, and the facility's infrastructure and grounds will continue to deteriorate resulting in more costly repairs and increased difficulty with recruiting qualified staff.

**Continued and growing losses by our Region's two (2) Critical Access Hospitals with Emergency Departments, its Primary Care Clinics, the Island's only (1) In-Patient Psychiatric and Behavioral Health Services Unit, and two (2) Licensed Long Term Care Facilities will inevitably affect services, accessibility and staffing** and the ability for HHSC Kauai Region to remain competitive in service quality and cost will be compromised. If not resolved, this may result in **possible facility closures and loss of jobs**, which will

negatively impact communities that our Region's facilities serve, especially low income and low income elderly.

### **What options are available to remedy the situation?**

In order to meet funding shortfalls, the HHSC Kauai Region **may need to consider possible reductions in medical services, inventory of supplies and pharmaceuticals, availability of services and/or number of employees.**

Over the decades, the Legislature has reorganized and restructured the HHSC, which has not helped to alleviate budget deficits or current healthcare concerns. **The only other viable alternative is to explore a public-private partnership** for HHSC facilities, including the those in the Kauai Region, to improve quality and the delivery of health care services, as allowed by Act 182 (2009).

### **Why a private-public partnership?**

**A public-private partnership will reduce dependence on government subsidies and provide access to private capital.** This would help HHSC Kauai Region facilities:

- Broaden access to private capital and services and address physical plant needs;
- Create efficiencies of scale and increased resources;
- Standardize and improve clinical practice through evidence-based guidelines, access to best practices and health information systems which support tracking and monitoring progress;
- Enhance information technology infrastructure;
- Offer private sector compensation packages to attract, retain and integrate qualified medical service personnel; and
- Provide greater access to quality healthcare and lower costs.

Various studies over the years have found that a public/private partnership would save costs and improve the efficiency and cost of the hospital system. For example, the Stroudwater report (January, 2010) found that privatization of the HHSC workforce would save the State approximately \$50,000,000 per year in leave and retirement benefits, alone. In addition, bringing in a private partner would open access to private capital and services.

The legislation being proposed outlines the basic framework for transitioning to a private entity. It sets forth partnership guidelines to ensure that the transition protects employees, the State, and the communities served. It provides for the existing employees by requiring that they be given earned retirement benefits and the same or better compensation as currently in place. A collaborative process is outlined which includes input from the medical staffs, hospital staffs, affected communities, affected boards, the legislature, the attorney

general and the director of budget and finance. It requires the promotion and protection of the healthcare needs of the areas being served. We submit that this is a good plan and presents a valid alternative to either cutting services or increasing subsidies for HHSC Kauai Region.

Thank you for the opportunity to testify before this committee. We would respectively recommend the Committee's **STRONG SUPPORT** of Senate Bill 3064, SD 2 (SSCR 2683), RELATING TO HAWAII HEALTH SYSTEMS CORPORATION (HHSC).

**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 17, 2014 9:28 PM  
**To:** HLTtestimony  
**Cc:** icuburton@gmail.com  
**Subject:** Submitted testimony for SB3064 on Mar 19, 2014 10:25AM

**SB3064**

Submitted on: 3/17/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melvin D Burton	Maui Memorial Medical Center Medical Staff	Support	No

Comments: Chairs, Vice Chairs and Committee Members, On the behalf of the Medical Staff at Maui Memorial Medical Center, We strongly support the intent of SB 3064 SD2 which allows a process from the Regions of HHSC to transition into Public Private Partnerships. We also strongly believe that the bill should be amended to allow the Regions a choice in the partner selection by eliminating the clause "incorporated in the State prior to January 1, 2000." Respectfully submitted, Melvin D. Burton, M.D. Chief of Staff Maui Memorial Medical Center

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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The Twenty-Seventh Legislature  
Regular Session of 2014

HOUSE OF REPRESENTATIVES

Committee on Health

Rep. Della Au Belatti, Chair

Rep. Dee Morikawa, Vice Chair

Committee on Labor and Public Employment

Rep. Mark M. Nakashima, Chair

Rep. Kyle T. Nakashima, Vice Chair

Hawaii State Capitol, Room 329

Wednesday, March 19, 2014; 10:25 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 3064, SD2  
RELATING TO HAWAII HEALTH SYSTEMS CORPORATION**

The ILWU Local 142 supports the intent of S.B. 3064, SD2, which allows for the transition of the Hawaii Health Systems Corporation, a regional system, or two or more regional systems to transition to a nonprofit hospital corporation; requires the nonprofit hospital corporation to maintain equivalent services in acquired regions for at least five years; and requires the State to continue to meet all financial obligations to public employees before the effective date of the measure.

The Hawaii Health Systems Corporation (HHSC) has been faced with financial challenges since its inception. HHSC maintains hospitals statewide that, for the most part, do not generate sufficient revenue to be self-sufficient. Much of the services provided are for long-term care, and most of the patients served are on Medicaid. HHSC has been considering other sources of revenue and other models of governance, but the concern raised by many, including the ILWU, is preservation of the safety net function that HHSC is mandated to provide.

The ILWU represents more than 18,000 active members and thousands of retired members statewide. Most of our members and retirees live on the neighbor islands, which rely heavily on HHSC facilities, and many of them live in rural communities like Ka'u and Lanai where health care resources are very limited. Without HHSC, there would be no emergency room services for them.

While it would be ideal for HHSC to have the revenues to continue operations on all islands, S.B. 3064, SD2 offers an alternative for transition to another financially viable entity. First, it proposes that the transition be to a "nonprofit hospital corporation incorporated in the State before January 1, 2000." This expresses an interest in having a locally based nonprofit, presumably rooted in the community, take over the entire corporation or a portion of it. Second, it proposes to "maintain equivalent services in acquired regions for no less than five years following the finalization of the transition." Services would not be cut off abruptly but gradually eased out, presumably with time for other alternatives to be developed. And finally, it proposes that all liabilities related to collective bargaining contracts, including all benefits, pensions, and financial obligations "become the responsibility of the State." Incumbent workers will be protected to some extent, but, unfortunately, some jobs will be lost.

There is no easy solution to the fiscal dilemma facing HHSC today. Short of having the State fully fund HHSC, S.B. 3064, SD2 appears to be a reasonable alternative. Regions that are acquired presumably have the potential to generate revenues to become self-sufficient and will benefit from investment from the entities acquiring them. However, the State must acknowledge its commitment to ensure safety net services to regions that will NOT be acquired. These regions are likely those not able to generate revenues on their own to offset costs and will require huge subsidies from the State. The plan for transition must include them.

The ILWU urges passage of S.B. 3064, SD2 to continue discussion of alternatives to retain HHSC services. Thank you for considering our testimony.



## **HAWAII HEALTH SYSTEMS**

C O R P O R A T I O N

*Quality Healthcare For All*

**House Committee on Health  
Rep. Della Au Belatti, Chair  
Rep. Dee Morikawa, Vice Chair**

**House Committee on Labor & Public Employment  
Rep. Mark M. Nakashima, Chair  
Rep. Kyle T. Yamashita, Vice Chair**

Wednesday, March 19, 2014  
Conference Room 329  
10:25 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 3064, SD2 Relating to Hawaii Health Systems Corporation. Allows for the transition of the Hawaii Health Systems Corporation, a regional system, to a nonprofit hospital corporation incorporated in Hawaii before January 1, 2000. Requires the nonprofit hospital corporation to maintain equivalent services in acquired regions for no less than five years. Requires the State to continue to meet all financial obligations to public employees, including all benefits, pensions, and other financial obligations negotiated with public employees' unions before the effective date of this measure.**

Alice M. Hall  
Acting 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 Senate Bill 3064, SD2, which allows the transition of the Hawaii Health Systems Corporation, a regional system, to a nonprofit hospital corporation incorporated in Hawaii, with revisions.

### **What are the current challenges facing HHSC?**

**Operating costs for health care facilities continue to rise, while government funding continues to decline**, resulting in current losses and adding to future financial deficits.

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(\$ in millions)	2010	2011	2012	2013
Operating Loss	\$(97.2)	\$(108.2)	\$(138.8)	\$(139.3)
General Fund Subsidy	\$96.7	\$82.0	\$71.9	\$84.6
Net Income (Loss)	\$(0.4)	\$(27.6)	\$(67.7)	\$(53.4)

Factors increasing this gap include:

- Growing expenditures for **infrastructure maintenance and upgrades**, and **health IT improvements** to adhere to new Affordable Care Act requirements;
- Rising costs for **recruitment, retention and training**, which include offering competitive salaries, benefits and collective bargaining;
- **Unfunded bargaining mandates** and liabilities including health fund and retirement systems; and
- **Declining Medicare and State subsidies**, reduced Medicaid and private insurance payments, and effects from the federal budget sequestration; and

### What are the current needs of HHSC facilities?

To continue to provide the same level of service and meet Affordable Care Act requirements, **HHSC facilities will require an increase in annual State subsidies**. Immediate needs include an emergency appropriation to cover underfunded collective bargaining raises, decrease in reimbursements from the Federal government, decrease in census (Kauai), and increased technology costs, such as, mandatory change in medical bill coding and electronic health record installations.

In order to maintain the existing level of services at its facilities, **HHSC will need an estimated \$1 billion in capital improvement funds over the next 10 years**. Currently there is only \$40 million available for the entire HHSC system to cover an estimated \$189 million for CIP and life safety needs.

### How does this affect HHSC facilities and services?

**HHSC's aging facilities are in need of major updating and repair** in order to provide for the well-being and safety of our employees and patients. Facility infrastructure and grounds will continue to deteriorate resulting in more costly repairs and increased difficulty with recruiting qualified staff.

**Continued and growing losses by community hospitals will inevitably affect services, accessibility and staffing** and the ability for HHSC to remain competitive in service quality and cost will be compromised. If not resolved, this may result in **possible facility closures and loss of jobs**, which will negatively impact communities that HHSC facilities serve, especially low income and low income elderly.

### What options are available to remedy the situation?

In order to meet funding shortfalls, the HHSC **may need to consider possible reductions in medical services, inventory of supplies and pharmaceuticals, availability of services and/or number of employees.**

Over the decades, the Legislature has reorganized and restructured the HHSC, which has not helped to alleviate budget deficits or current health care concerns. **The only other viable alternative is to explore a public-private partnership** for HHSC facilities to improve quality and the delivery of health care services, as allowed by Act 182 (2009).

### **Why a private-public partnership?**

**A public-private partnership will reduce dependence on government subsidies and provide access to private capital.** This would help HHSC facilities:

- Broaden access to private capital and services and address physical plant needs;
- Create efficiencies of scale and increased resources;
- Standardize and improve clinical practice through evidence-based guidelines, access to best practices and health information systems which support tracking and monitoring progress;
- Enhance information technology infrastructure;
- Offer private sector compensation packages to attract, retain and integrate qualified medical service personnel; and
- Provide greater access to quality healthcare and lower costs.

Various studies over the years have found that a public/private partnership would save costs and improve the efficiency and cost of the hospital system. For example, the Stroudwater report (January, 2010) found that privatization of the HHSC workforce would save the state approximately \$50,000,000 per year in leave and retirement benefits, alone. Other recent studies have shown an even greater impact. In addition, bringing in a private partner would open access to private capital and services.

The legislation being proposed outlines the basic framework for transitioning to a private entity. However, we recommend that the committee adopt the language of HB 2192, which more fully addresses the issues and eliminates some of the legal concerns raised about the current language. HB 2192 sets forth partnership guidelines to ensure that the transition protects employees, the State, and the communities served. It provides for the existing employees by requiring that they be given earned retirement benefits and the same or better compensation as currently in place. A collaborative process is outlined which includes input from the medical staffs, hospital staffs, affected communities, affected boards, the legislature, the attorney general and the director of budget and finance. It requires the promotion and protection of the health care needs of the areas being served. We submit that this is a good plan and presents a valid alternative to either cutting services or increasing subsidies for HHSC.

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

**Wednesday, March 19, 2014 – 10:25 am**  
**Conference Room 329**

**The House Committee on Health**

To: Representative Della Au Belatti, Chair  
Representative Dee Morikawa, Vice Chair

**The House Committee on Labor & Public Employment**

To: Representative Mark Nakashima, Chair  
Representative Kyle Yamashita, Vice Chair

From: Ray Vara, President and CEO  
Hawai'i Pacific Health

**Re: SB 3064, SD2 Relating To Hawaii Health Systems Corporation  
Testimony in Support**

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My name is Ray Vara. I am the President and CEO for Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system, and the state's largest health care provider and non-government employer. It is committed to providing the highest quality medical care and service to the people of Hawai'i and the Pacific Region through its four hospitals, more than 50 outpatient clinics and service sites, and over 1,600 affiliated physicians. Hawai'i Pacific Health's hospitals are Kapi'olani Medical Center for Women & Children, Pali Momi Medical Center, Straub Clinic & Hospital and Wilcox Memorial Hospital.

I write in support of the intent of SB 3064, SD2.

We appreciate the efforts of the Legislature in exploring the means toward implementing a more economically efficient system of health care in the communities being served. Hawai'i Pacific Health recognizes that this is no easy task. We are committed to improving the delivery of health care in Hawaii and are interested in being a part of the solution. We ask that any legislation that allows for transitioning HHSC and/or its regional systems be sufficiently broad to permit the necessary negotiations in the various regions, as a transition of this nature and magnitude will involve many stages.

Thank you for the opportunity to provide this testimony.

**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 17, 2014 4:27 PM  
**To:** HLTtestimony  
**Cc:** riverhag@me.com  
**Subject:** \*Submitted testimony for SB3064 on Mar 19, 2014 10:25AM\*

**SB3064**

Submitted on: 3/17/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kathleen Katt MD, FACEP	Hilo Medical Center MEDICAL STAFF	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Seventh Legislature, State of Hawaii  
House of Representatives  
Committee on Health  
Committee on Labor & Public Employment

Testimony by  
Hawaii Government Employees Association  
March 19, 2014

S.B. 3064, S.D. 2 - RELATING TO THE  
HAWAII HEALTH SYSTEMS CORPORATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposes the intent of S.B. 3064, S.D. 2, which amends Chapter 323F, Hawaii Revised Statutes by allowing for the transition of the Hawaii Health Systems Corporation to a non-profit hospital corporation.

As the Exclusive Representative of employees included in bargaining units 02, 03, 04, 09 and 13 of the Hawaii Health Systems Corporation, we oppose S.B. 3064, S.D. 2, as currently drafted, since the language does not provide for the bargaining process nor legislation to ensure protection of the rights and benefits of the affected employees. Additionally, we raise concerns to the language provided in Part II of the measure, which requires the newly created nonprofit hospital corporation to maintain equivalent services for no less than five years following the finalization of the transition. As written, the proposed legislation does not provide for any long-term assurances that communities will continue to receive needed health care services.

For these reasons, we respectfully oppose S.B. 3064, S.D. 2.

Respectfully submitted,

Randy Perreira  
Executive Director

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**Wednesday – March 19, 2014 – 10:25am**  
**Conference Room 329**

**The House Committee on Health**

To: Representative Della Au Belatti, Chair  
Representative Dee Morikawa, Vice Chair

**The House Committee on Labor and Public Employment**

To: Representative Mark M. Nakashima, Chair  
Representative Kyle T. Yamashita, Vice Chair

From: George Greene  
President & CEO  
Healthcare Association of Hawaii

**Re: Testimony in Support**  
**SB 3064, SD 2 — Relating to Hawaii Health Systems Corporation**

The Healthcare Association of Hawaii (HAH) is a 116-member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for the opportunity to testify in support of SB 3064, SD2, which would allow for the transition of the Hawaii health systems corporation (HHSC), a regional system, to a nonprofit hospital corporation incorporated in Hawaii before January 1, 2000.

HAH supports SB 3064, SD2, would preserve the state's HHSC hospitals by allowing the facilities to transition to non-profit corporation status, thereby maintaining vital parts of the healthcare continuum. SB 3064, SD2, furthers HAH's vision of a healthy Hawaii where every resident has convenient access to appropriate, affordable, and high quality healthcare.

Thank you for the opportunity to testify in support of SB 3064, SD2.



# West Maui Taxpayers Association

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March 18, 2014

## Board of Directors

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Vice Chari, Dee Morikawa  
AND COMMITTEE MEMBERS  
HOUSE COMMITTEE ON HEALTH  
HAWAII STATE CAPITOL  
HONOLULU, HI 96825

RE: Senate Bill 3064 SD2

Aloha Chair Bellatii, Vice Chari Morikawa and Committee Members:

We strongly support passage of SB 3064 SD2 with amendments as Hawaii Health Systems Corp is in crisis financially as well as burdened operationally resulting in unsustainable conditions.

This Bill must pass in some form. Lives are literally at stake here and this is not an understatement!

Maui Memorial Medical Center CEO Wesley Lo has been very clear on the critical condition in Maui County where they are the only facility.

We believe the Bill needs to be modified to include out of State Operators for the best possible candidates interested and best possible choices to be made.

Please eliminate discriminatory exclusions on potential candidates and make it easier to become a candidate. That is sensible and prudently will permit the highest and best decisions to be reached for a decision which will benefit of the people of the State of Hawaii.

Malama Pono ame Mahalo,

Sincerely,

Donald Lehman, President

Joseph D. Pluta, President Emeritus/Treasurer

WMTA is a non profit 501 c 4. WMTA, as a dedicated Lobbyist organization, has a mission for our West Maui Community. The objectives of this Organization are to associate the interests, concerns, and efforts of residents and taxpayers of the West Maui area, and others interested in the orderly development and improvement of the area, in a cooperative effort. whether provided by, or to be provided by, the State or County governments, or by others.





## Testimony of Phyllis Dendle

Before:  
House Committee on Health  
The Honorable Della Au Belatti, Chair  
The Honorable Dee Morikawa, Vice Chair

House Committee on Labor and Public Employment  
The Honorable Mark M. Nakashima, Chair  
The Honorable Kyle T. Yamashita, Vice Chair

March 19, 2014  
10:25 am  
Conference Room 329

LATE**SB 3064, SD2 RELATING TO HAWAII HEALTH SYSTEMS CORPORATION**

Chair Belatti, Chair Nakashima and committee members, thank you for this opportunity to provide testimony on SB3064 SD2 permitting the transition of HHSC to a nonprofit hospital corporation.

**Kaiser Permanente Hawaii has significant concerns about this bill.**

We support the intent of this bill to provide options for the Hawaii Health Systems Corporation to seek out ways to improve the quality and efficiency of care for Hawaii residents through partnerships. Kaiser Permanente has a keen interest in the continued improvement and success of HHSC because many of our members on the neighbor island receive care in HHSC facilities.

However, this bill is too vague on the specifics of how such a transition and partnership might work in the best interest of the public's health and safety particularly for the most vulnerable in our community. We request that the legislature continue to work on the details and difficulties of this idea with the HHSC and the communities they serve in the interim rather than passing this bill in its current form.

Thank you for your consideration.

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

**HOUSE COMMITTEE OF HEALTH**

**Rep. Della Au Belatti, Chair**

**Rep. Dee Morikawa Vice Chair**

**&**

**HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**

**Rep. Mark M. Nakashima, Chair**

**Rep. Kyle T. Yamashita, Vice Chair**

**March 19, 2014, 10:25 a.m., Room 329**

**Testimony in strong support of Senate Bill 3064 S.D.2, Relating to Hawaii Health Systems Corporation. Allows for the transition of the Hawaii Health Systems Corporation, a regional system, to a nonprofit hospital corporation incorporated in Hawaii before January 1, 2000. Requires the nonprofit hospital corporation to maintain equivalent services in acquired regions for no less than five years. Requires the state to continue to meet all financial obligations to public employees, including all benefits, pensions, and other financial obligations negotiated with public employees' unions before the effective date of this measure.**

Howard N. Ainsley  
East Hawaii Regional Chief Executive Officer  
Hawaii Health Systems Corporation

Thank you Chair Bellati, Chair Nakashima, Vice Chair Morikawa, Vice Chair Yamashita and esteemed Committee Members for the opportunity to present testimony in strong support of Senate Bill 3064, S.D. 2, that seeks to establish guidelines for the transition of one or more regions of the Hawaii Health Systems Corporation (HHSC) into a nonprofit corporation.

As Chief Executive Officer of East Hawaii Region for HHSC, my main concern is the future of health care services on our island. We need to work together to find a viable solution that will enable us to transform, modernize and expand to meet the existing and growing needs of our community.

HAWAII HEALTH SYSTEMS CORPORATION

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HHSC is in a financially perilous condition. It received a "Going Concern" finding as part of its 2008 independent audit report, calling the future financial viability of the organization into question. Five years later, its liquidity remains at dangerously low levels with barely enough current assets to meet current liabilities. The age of its facilities and other physical assets is well above national averages. Its future viability is at risk, as the State does not have the capacity or tolerance to fund increasing subsidies going forward, and seeks options that will allow it to substantially reduce HHSC subsidies as part of its overall imperative to balance the State Budget.

In 2009, Stroudwater Associates conducted an in depth assessment of HHSC and recommended that the organization focus on achieving efficiencies of scale, expanding its expertise and developing a more integrated clinical service delivery system. In response, the Maui, East Hawaii and West Hawaii Regional Boards in conjunction with the HHSC Corporate Board have engaged in a formal process to identify a capital/operating partner, including both instate and mainland options, to help accelerate its transformation to a high performing contemporary delivery system. This endeavor rests upon the conclusion that as a system HHSC by itself is insufficient in scale to move to the highest levels of performance. Many of its basic systems and infrastructure are in need of major updating, requiring the reputable and established resources of a more advanced system to help it excel under health care reform.

The challenges that will affect HHSC under Health Care Reform are as follow:

- In FY 2010, Medicare began reducing annual cost-of-living increases in hospital payments
- In FY 2012, Medicare began making productivity adjustments to hospital payments
- In FY 2013, Hospitals penalized when the rate at which they readmit Medicare patients within 30 days of discharge exceeds that of other hospitals for patients who suffer from heart attacks, heart failure and pneumonia
- In FY 2013, Medicare introduced a value-based purchasing program that rewards some hospitals and penalizes others based on the outcomes of selected quality measures
- In FY 2014, Medicare reduced by up to 75% the disproportionate share hospital (DSH) payments it makes to qualified hospitals
- In FY 2014, Medicaid introduced significant reductions in Medicaid DSH payments to qualified hospitals

I believe a public-private partnership is a great opportunity for Hilo Medical Center and other HHSC facilities across the state to become sustainable and rely less on government subsidies.

It would also broaden access to private capital and services, create efficiencies of scale, standardize and improve our clinical practice, enhance information technology infrastructure, and allow us to offer private sector compensation packages to attract, retain and integrate qualified medical services personnel.

The legislation being proposed outlines the basic framework for transitioning to a private entity. It sets forth partnership guidelines to ensure that the transition protects employees, the State, and the communities served. It provides for the existing employees by requiring that they be given earned retirement benefits and the same or better compensation as currently in place. A collaborative process is outlined which includes input from the medical staffs, hospital staffs, affected communities, affected boards, the legislature, the attorney general and the director of budget and finance. It requires the promotion and protection of the health care needs of the areas being served. We submit that this is a good plan and presents a valid alternative to either cutting services or increasing subsidies for HHSC.

I urge you to pass this legislation that will allow us to explore the option of a public-private partnership.

Thank you.

To Those Considering SB 3064:

I am an attending physician at Maui Memorial Medical Center in Pulmonary and Critical Care. I am strongly in support of a public-private partnership for HHSC. I thank you for your efforts in this aim. I do have one suggested amendment, however. I would remove any limits on who the private partnership may be made with. Limiting the private participants to those who have been incorporated in Hawaii prior to January 1, 2000 severely limits who is eligible. In fact, the only institutions allowed would be Queens and Straub. While both institutions are well respected, there are other options on the Mainland who might be better suited to bring much needed financing and resources to our institutions in Hawaii. It is possible that, after careful consideration, Queens or Straub may best meet our needs. It seems foolish, however, to limit the field of candidates at the outset. Please amend SB 3064 to allow any institution to be considered, so that we may choose the best option for Hawaii.

Sincerely,

Michael Shea, MD

Aloha

Please join me in supporting the Maui Memorial Medical Center's efforts to seek a private-public partnership. As a Maui resident, having access to quality healthcare services on my island is very important to me, as well as my friends and family. Maui Memorial Medical Center is the only acute care, full-service hospital in Maui County. We depend on it.

We are very concerned about the future of healthcare services on our island. With many challenges facing the hospital, including reductions in state and federal government subsidies, budget shortfalls, increasing operating costs and deteriorating facilities – we can no longer rely on the Legislature to help sustain us.

**We support S.B. 3064** and recommend amending the bill as follows:

- Delete the requirement that a nonprofit hospital corporation be incorporated in Hawaii before January 1, 2000
- Provide for regional decision making including all regional stakeholders.
- Provide language to ensure continued access to Quality Services
- Provide that any partnership would provide fair/competitive wages and benefits for staff

I appreciate your time and consideration in supporting SB3064 that will allow Maui Memorial Medical center to pursue a public-private partnership and enable them to become self sustainable while continuing to provide our community with access to quality healthcare.

Mahalo,

Name: Herman E. Nascimento

Address: 1117 MAKAWAO AVE.

MAUI, HI, 96768

Phone: (808) 264-2418

Aloha

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Mahalo,

Name:

Christine Thomas

Address:

300 W. Maheka Ave  
Kali HI 96732

Phone:

832 009

Aloha

Please join me in supporting the Maui Memorial Medical Center's efforts to seek a private-public partnership. As a Maui resident, having access to quality healthcare services on my island is very important to me, as well as my friends and family. Maui Memorial Medical Center is the only acute care, full-service hospital in Maui County. We depend on it.

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Mahalo,

Name:

Mary Anne Morioka

Address:

P.O. Box 880028

Pukalani 96789

Phone:

878-1024



Aloha

Please join me in supporting the Maui Memorial Medical Center's efforts to seek a private-public partnership. As a Maui resident, having access to quality healthcare services on my island is very important to me, as well as my friends and family. Maui Memorial Medical Center is the only acute care, full-service hospital in Maui County. We depend on it.

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I appreciate your time and consideration in supporting SB3064 that will allow Maui Memorial Medical center to pursue a public-private partnership and enable them to become self sustainable while continuing to provide our community with access to quality healthcare.

Mahalo,

Name: Judith Reyes-McGowan

Address: 64 EhiKu Ln, E-105  
Kihui, Hi. 96753

Phone: (808) 879-6978

Aloha

Please join me in supporting the Maui Memorial Medical Center's efforts to seek a private-public partnership. As a Maui resident, having access to quality healthcare services on my island is very important to me, as well as my friends and family. Maui Memorial Medical Center is the only acute care, full-service hospital in Maui County. We depend on it.

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- Provide language to ensure continued access to Quality Services
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I appreciate your time and consideration in supporting SB3064 that will allow Maui Memorial Medical center to pursue a public-private partnership and enable them to become self sustainable while continuing to provide our community with access to quality healthcare.

Mahalo,

Name: Pasita Pladen

Address: 220 Palama Dr

Kahului, Hawaii

Phone: 87 250 1761

Aloha

Please join me in supporting the Maui Memorial Medical Center's efforts to seek a private-public partnership. As a Maui resident, having access to quality healthcare services on my island is very important to me, as well as my friends and family. Maui Memorial Medical Center is the only acute care, full-service hospital in Maui County. We depend on it.

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- Provide that any partnership would provide fair/competitive wages and benefits for staff

I appreciate your time and consideration in supporting SB3064 that will allow Maui Memorial Medical center to pursue a public-private partnership and enable them to become self sustainable while continuing to provide our community with access to quality healthcare.

Mahalo,

Name: Harry W Mc Gowan

Address: 64 Etiku Loop E-105  
Hale MAHAOLU Etiku  
Kihei HAWAII 96753

Phone: 808-379-6978

March 18, 2014

**Committees on Health and Labor**

Rep. Della Belatti, Chair

Rep. Mark Nakashima, Chair

Wednesday March 19, 2014

Hawaii State Capitol, Rm 329

**RE: TESTIMONY IN SUPPORT OF SB 3064 SD1, WITH ADMENDMENTS**

Dear Chair Belatti, Chair Nakashima and Members of the Committee:

**I am writing in support of SB3064 SD1 with a reservation. I support the intent of the public private partnership concept but I do not think the nonprofit corporation should be limited to only local companies. I would ask the SB3064 SD1 be amended to delete the requirement for incorporation in Hawaii prior to January 2000.**

I am a family practice physician and graduate of the UH-JABSOM Family Medicine Residency. I have been practicing on Maui since 1997 and am currently a family physician and Medical Director at Kula Hospital and Clinic. I am also an assistant clinical faculty member of the Department of Family and Community Medicine. It is obvious to all that the HHSC hospital system is never going to be financially self-sustaining in its current incarnation. I would also argue that any hospital that is also essentially a state agency will never have the flexibility and creativity to survive in the changing health care environment under the Affordable Care Act.

**This issue truly only affects the neighbor islands where HHSC hospitals are the major, and in some cases only, sources of care. Therefore, the voices of the neighbor island community should be heard and attended to, both during the legislative process and in the selection process of any potential partner.** The community, physicians, nursing staff, administration, and Board of the Maui Region have held many joint meetings and we are all in favor of a path to a nonprofit partner. We ask that the legislation provide a general framework for this transition and that each hospital, region, or HHSC as a whole be trusted to choose the partner for itself through a rigorous and hopefully competitive RFP process.

Thank you for your attention to this matter,  
Nicole Apoliona, M.D.  
Medical Director, Kula Hospital and Clinic

**Melvin D. Burton, M.D, Maui Chest Medicine, 380 Huku Lii Pl 204, Kihei, HI 96753**

**COMMITTEES ON HEALTH AND LABOR & PUBLIC EMPLOYMENT**

Representative Della Au Belatti, Chair / Representative Mark M. Nakashima, Chair  
Representative Dee Morikawa, Vice Chair / Representative Kyle Yamashita, Vice Chair

Wednesday, March 19, 2014

10:25 AM

State Capitol, House Conference Room 329

**RE: TESTIMONY IN SUPPORT OF SB 3064 SD2, WITH ADMENDMENTS**

Greetings Chairs, Vice Chairs and Members of the Committee:

The Legislature's mandated Stroudwater Report of 2009 highlighted the unsustainability of HHSC and called for swift changes including public private partnerships. The Legislature's requested University of Hawaii Report of 2010 on Physician workforce highlighted a physician shortage of 600 physicians and a predicted shortage of 1600 physicians by 2020. This report, similarly called for swift action.

Actions have been slow and Hawaii's public healthcare system stands at the cross road and a population of citizens lay vulnerable before you. New leadership and new vision are needed but will not come from reshuffling stagnant processes and principles. Hawaii is calling for those who have the courage to stand, look beyond self and embrace a new direction and act.

Population growth patterns suggest Hawaii will continue to grow. The neighboring islands are leading this expansion. Healthcare is an essential support service for an expanding population base. Pro-actively strengthening and expanding healthcare services on the neighboring island is the responsible and moral thing to do for those who would lead. This would allow appropriate provision of care for the population base and would allow the development of a second hub of high level complete medical services on a neighboring island, thus providing redundancy in high level care which is prudent in this island state.

As a Pulmonary and Critical Care Physician from Massachusetts General Hospital (Harvard Medical School), I have dedicated nearly 15 years of my life helping along with many others to improve care on Maui. There has been progress, but there is still much to do. We need your help.

I urge you to have the courage to lead by passing **SB 3064 SD2** with amendments that will lift the restriction of choice of partners for the regions of HHSC.

Respectfully submitted,

Melvin Burton, MD //electronically authenticated 3/17/14

**Certifications in Pulmonary Diseases, Critical Care, Neuro-Critical Care and Sleep Medicine**

**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 17, 2014 10:04 PM  
**To:** HLTtestimony  
**Cc:** ted@peskin.net  
**Subject:** Submitted testimony for SB3064 on Mar 19, 2014 10:25AM

**SB3064**

Submitted on: 3/17/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
edward peskin,MD	Individual	Support	No

Comments: A public-private partnership will allow the physicians practicing in HHSC hospitals to benefit patients by taking advantage of economy of scale regarding quality of care and efficiency of scale. This measure, in my opinion, will benefit the most vulnerable residents of Hawaii.

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**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 18, 2014 7:35 AM  
**To:** HLTtestimony  
**Cc:** bobdi@hawaii.rr.com  
**Subject:** Submitted testimony for SB3064 on Mar 19, 2014 10:25AM

**SB3064**

Submitted on: 3/18/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Bob Pure	Individual	Support	No

Comments: it is absolutely essential that this bill be passed.....it should be modified to include out of state hospitals as well.....we cannot continue as is as we are going down the path to disaster for our residents.....

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**Wednesday- March 19, 2014 - 10:25 am**  
**Conference Room 329**  
**COMMITTEE ON HEALTH**  
**COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**

To:  
Rep. Della Au Belatti, Chair  
Rep. Dee Morikawa, Vice Chair

&

Rep. Mark M. Nakashima, Chair  
Rep. Kyle T. Yamashita, Vice Chair

From: Mr. and Mrs. Thomas Russi

**Re: Testimony for SB3064 SD2**

Thank you for this opportunity. We are not sure if this measure will benefit the citizens of Hawaii, especially the outer island citizens who rely on HHSC using their tax dollars wisely. My wife, Christine and I are always very concerned with the use, and misuse, of tax dollars.

In 2013, a state employee working for HHSC, hired a family member to work at HHSC, to badger us, to the point of the employee being removed from his position. He held his position at HHSC, for only eight months, at which time, he was removed because of complaints filed against him that could not be investigated without holding him accountable. He was paid \$78,567.52, including vacation pay, when he was removed. This is a serious violation of the public's trust and a misuse of tax dollars within the hospital system. If HHSC is going to work like it was set up to work, this type of personal agenda needs to be stopped. If any legislator checks the work product of this HHSC employee, in the Risk Management Position from Jan 2013 to Sept 2013, it will definitely shed some light on this situation. We ask that you use your knowledge to make the best choice for voting on this bill but consider making sure HHSC is always held accountable.

Thank you.



**LATE**

Testimony of  
**Wesley Lo**  
Regional Chief Executive Officer  
Maui Memorial Medical Center  
on  
**S.B. 3064, SD2**  
**Relating to Hawaii Health Systems Corporation**

Committee on Health  
Wednesday, March 19, 2014  
10:25 a.m.  
Conference Room 329

Aloha Chair Au Belatti, Vice Chair Morikawa, and Members of the Committee:

I am testifying in **support of S.B. 3064, SD2, with Amendments** that purposes to establish guidelines for the transition of the Hawaii Health System Corporation (HHSC), one or more of the regions of the HHSC into a nonprofit corporation. The passage of this bill is critical to the future delivery and sustainability of quality health care services for the residents of Maui County.

The delivery of healthcare services across the Nation is undergoing a major transformation on all fronts. Here in Hawaii, there also need to be major change to our state's healthcare system as it relates to HHSC. The current structure of HHSC is not sustainable for the long-term delivery of quality health care services for residents, especially those on the Neighbor Islands.

Maui Memorial Medical Center (MMMC) is Hawaii Health Systems Corporation's (HHSC) largest acute care facility and only full-service hospital in Maui County, with one fifth the total inpatient hospital volume in the state. It is also the only hospital in the state with a 24/7 stroke prevention program and only neighbor island hospital that provides comprehensive cardiovascular services. With more than 1,400 employees, including 200 attending physicians, MMMC is one of the largest employers on Maui.

At MMMC our operating costs continue to rise as government funding continues to decline, resulting in current losses and adding to future financial deficits. The factors that are increasing the gap include growing expenditures for infrastructure upgrades and maintenance, and health IT improvements to adhere to Affordable Care Act requirements; rising costs for recruitment, retention and training, including offering competitive salaries, benefits and collective bargaining; unfunded bargaining mandates and liabilities including health fund and retirement systems; and declining Medicare

and State subsidies, reduced Medicaid and private insurance payments, and effects from the federal budget sequestration.

In order to meet funding shortfalls, MMMC is currently working on updating its budget and we may be forced to consider possible reductions in medical services, inventory of supplies and pharmaceuticals, availability of services and/or number of employees.

MMMC's aging facilities are in need of major updating in order to provide for the well-being and safety of our employees and patients. Facility infrastructure and grounds continue to deteriorate resulting in more costly repairs and increased difficulty with recruiting qualified staff. Growing losses by community hospitals will inevitably affect services, accessibility, staffing and the ability for MMMC to remain competitive in quality and costs. If not resolved, this may result in facility closures and loss of jobs, which will negatively impact communities that MMMC serves especially low income and elderly.

Over the decades, MMMC has been reorganized and restructured, which have not helped to alleviate budget deficits or current health care concerns. This also requires additional funding. The only other viable alternative is to explore a private-public partnership option to improve quality and delivery of health care services, per Act 182 (2009).

The 2009 Stroudwater Report, commissioned by the State Legislature, recommended that HHSC focus on efficiencies of scale, expand its expertise and develop a more integrated clinical delivery system that may include engaging a capital-operating partner as the most effective option for the future.

We believe a private-public partnership will reduce our dependence on government subsidies and provide access to private capital. This would help MMMC facilities broaden access to private capital and services and address physical plant needs; create efficiencies of scale and increased resources; standardize and improve clinical practice through evidence-based guidelines, access to best practices and health information systems which support tracking and monitoring progress; enhance information technology infrastructure; offer private sector compensation packages to attract, retain and integrate qualified medical service personnel; and provide greater access to quality healthcare and lower costs.

We are currently in discussions with key stakeholders to determine the best way to address issues that face MMMC and other HHSC facilities across the state, this includes exploring the option of a public-private partnership. We are working together

to come up with options that addresses key issues including clinical services, financial obligations, our labor force and the needs of the community.

This legislation will help us move forward and explore engaging in private public partnership. Our primary focus is to ensure that residents, especially those on the neighbor islands, continue to have access to quality health care services.

We support S.B. 3064, SD2, and recommend amending the bill as follows:

- Delete the requirement that a nonprofit hospital corporation be incorporated in Hawaii before January 1, 2000
- Provide for regional decision making including all regional stakeholders.
- Provide language to ensure continued access to Quality Services
- Provide that any partnership would provide fair/competitive wages and benefits for staff

Mahalo for your consideration.

**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 18, 2014 2:13 PM  
**To:** HLTtestimony  
**Cc:** jseebart@pobox.com  
**Subject:** \*Submitted testimony for SB3064 on Mar 19, 2014 10:25AM\*



**SB3064**

Submitted on: 3/18/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
John Seebart	Individual	Support	No

Comments:

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**morikawa2-Joanna**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 18, 2014 2:23 PM  
**To:** HLTtestimony  
**Cc:** krn1124@yahoo.com  
**Subject:** \*Submitted testimony for SB3064 on Mar 19, 2014 10:25AM\*



**SB3064**

Submitted on: 3/18/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Karen Wetmore	Individual	Support	No

Comments:

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**LATE****SB3064**

Submitted on: 3/18/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Anna Marie Later	Individual	Support	No

## Comments:

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**LATE**

**SB3064 AGAINST** – EHTICS NEEDS TO BE INVOLVED TO SEE WHY THE KEY PLAYERS IN THIS BILL ARE PUSHING IT SO HARD! IMMEDIATELY CEASE MOVEMENT ON THIS AS IT HAS FRAUD AND DEEP POCKETS WRITTEN ALL OVER IT. PARTNER HHSC WITH LOCAL>>>>>>>> COME ON! I WARN YOU NOW AS IF THIS PASSES YEARS OF INVESTIGATION ON WHO SPONSORS THIS AND WHO'S POCKETS WILL BE GETTING RICH.

I have reviewed the information being submitted in this proposal and find it lacking and inadequate for anyone to make any informed decisions to move this forward at this time. It does not represent what would happen to the various regions, hospitals or staff in any capacity. The information being presented looks as though it was thrown together very hastily. I am not against the idea in general terms but this bill is not the vehicle needed to move HHSC forward. HHSC is a unique healthcare system. HHSC in many ways can be related to our police department or fire department. They are both there to protect the citizens of Hawaii. Are we going to outsource or privatize the police department and fire department also? And would we do it with clearly no plan. Are we all not here to protect the welfare and healthcare of Hawaii? Can you tell me what the differences are? Do we start with HHSC and then outsource or privatize everything. Do we then watch the waiting time increase for a police officer to arrive at a robbery, the wait for a fire truck at an accident, the wait for the Emergency Room to go up 1000% while people die then come back and reevaluate this? Have we cut funding to the police departments? I am truly lost at the thought process proposed in this bill. I don't see any thorough thought process other than politics. The overall partnership idea can work but needs a clear, well thought out plan and not this half hazard thrown together piece of legislation.

In the past few years HHSC has embarked on a major journey of putting in the most advanced EMR system in the world. HHSC now has 2 regions live on the system and the 3<sup>rd</sup> going live in just a few short months. The largest of the HHSC hospitals is live on the system and it is functioning beyond expectations. Some say the system cost more than anticipated. I tell you that is hogwash politics. It cost more because HHSC had to invest in infrastructure and staffing to support not only the system but also the dynamics of changing healthcare mandates by the federal government. So, as HHSC puts in an amazing system that is actually centralizing and standardizing HHSC we are now going to sell them off and split them up. DOES THIS MAKE ANY SENSE? They put in a 100 million dollar system to standardize, give the best healthcare in the world and all of HHSC is now coming together on this single system. It is the most advanced and largest system ever installed in the entire country. We are now asking to throw away all this money, all this time and the last 3 years to do what? HHSC is on the road to increased efficiencies with this new system. HHSC is the safety net of health just like the police are of safety. We cannot currently outsource or privatize healthcare. As mentioned, this system also rebuilt the entire infrastructure of HHSC, has all of the regions now on wireless and virtual technology. HHSC has gone from a "paper" system to one of the most advanced systems in just 3 short years. Yes, it is pricey but now that the system is live, the benefits will start rolling in. This would be the same as pulling the plug on a miracle baby that just awoke out of a 3 year coma.

Overall the idea may be a good one. We may need to look at options. But not today. Today we need to focus on HHSC and support them on what is the most amazing endeavor EVER undertaken. No state system has ever implemented what HHSC is underdoing. And, the implementation is almost over. The largest hospitals are live. They are working together. What you all need to do is look at what is going on and look at the tremendous gains being made. Look at how Hawaii will be a healthcare star. You need to come back in a year and look at the amazing progress HHSC is making on the new system. It is too early to try to privatize. This bill offers no solid information. After spending all this money on the most advanced system in the world that is just being completed this year anyone semi intelligent would give at least 2-3 years to see how the system functions and to see how HHSC comes together and standardize processes and increases work output.

My recommendation is to look at possible private/public partnerships but talk it out with the right parties, labor, union, state, etc. Stop trying to rush based on a few people's views. In the meantime work with HHSC to cut as much costs as they can, work on increasing efficiencies and especially with the new system. Watch and monitor the progress over the next 2-3 years as HHSC becomes the most attractive healthcare system in the world. Don't cut Hawaii short today. You wouldn't stop funding the police or fire department or HHSC. They are all required in keeping the people of Hawaii safe and healthy and alive. This bill to me is a rush of judgment and has not been thought out. It also might help to look at those that have put HHSC into the position it is in today and ask why it occurred and then look at ways to be sure new talents and new ideas and new progressive thinkers can make HHSC work being a state safety net hospital system. I think with some new talent, new ideas and a new focus on the new HHSC under the new system as a state system HHSC will become the leader. Don't sell, transform!

In summary the overall idea might work at some point but HHSC needs time to work on the new system, standardize processes that are taking place today and then revisit this once the system is fully operational and reviewed. This bill seems to be hastily thrown together and does not discuss any of the key questions I would have if I was sitting on any panel. It needs a lot more refinement. I have seen tremendous positive changes at HHSC with the latest influx of new talent and new leaders that are thinking outside the century old box and bringing change to the HHSC system. While I know it is not a century I simply am stating that some folks at HHSC have been in the system since it started and have no outside experience to help drive the vision and that experience like that is needed in today's health care world. HHSC has a great set of leaders however having new ideas and new talent helps to drive new change and new processes instead of every few years circling around to the same old options and actually working to make HHSC viable and stop wasting so much time on attending sessions, writing testimony, proposing new bills, etc. If new leaders can fix and bring HHSC into the system it needs to be the need for the constant bickering and politics can finally come to an end. With the new EMR, the influx of new leaders that understand the drivers essential to the healthcare industry don't rush into something that will have a negative impact on our people, drive the quality of healthcare down, raise the premiums and have our citizen's waiting in line or waiting 5 days to see an ER doc. Be sure a complete study takes place on what has occurred at other systems that tried to privatize and the



enormous costs to the citizens and increased wait times. I don't see any mention of safety net in this bill that will hold anyone accountable.

**My Proposal:**

1 – Utilize the Governors Board on Health Care and Health Care Plan

2 – Work with the Regions and hold every region accountable to reduce costs while increasing efficiency and then monitor these regions. Have the regional CEO's provide direct and regular feedback on what they are doing in their corresponding regions.

3 – Analyze the benefits of having the most advanced system in the world (EMR) installed in all of the HHSC facilities by the end of this year. Currently the largest hospitals are live and the benefits are occurring and will really hit in the next 1-2 years as the entire HHSC is on one network, cleaning up old policies and procedures and standardizing across the regions.

4 – Hold accountability for Acute Hospitals to become profitable and to become attractive in the event a well thought out Private/Public partnership option is drawn on the table and work with the Critical Access Hospitals/LTC that are not designed for profit to streamline and reduce operating costs and increase efficiencies on the state of the art 100 million dollar system that is currently being installed.

5 – Review the current structure of the HHSC and bring in new talent with outside experience that can help guide HHSC into this amazing new age of health care delivery. This is taking place already in some regions but needs to occur across the HHSC in an entirety.

6 – Stop wasting valuable time and money year after year proposing bills instead of each region working to improve that region and then hold them accountable.

Thank you so much for taking the time to read my opinions. They come from my heart and apologize if I am direct but I keep seeing the same people in the same large regions that have not been running efficient hospitals keep promoting and working on these measures to try to get someone else to fix their messes when no one holds them accountable. Hold the executives that have been at HHSC for quite some time but hold no solutions accountable. Acute hospitals should be making money and not taking most of the state subsidies. If the state can fix this issue they are golden. Make them report directly to you and stop letting them try to run and get constant bail outs and point the finger.



**LATE****SB3064**

Submitted on: 3/19/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Cheryl A Jones	Individual	Comments Only	No

Comments: Please consider passing this bill WITH amendments as this is the only way Maui, it's physicians, and people will be able to have a true choice in partners that will allow for medical education which enable us to bring more health care providers to our island and state. this is a crucial aspect of the consideration. Thank you. Sincerely, Cheryl A Jones, RN, PhD

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**LATE****SB3064**

Submitted on: 3/19/2014

Testimony for HLT/LAB on Mar 19, 2014 10:25AM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
James W Jones	Individual	Comments Only	No

Comments: Please consider passing this bill WITH amendments so that Maui will have a choice in partners. Sincerely, James W. jones, MD

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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