



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

**Senate Committee on Health
Senator Josh Green, Chair
Senator Rosalyn H. Baker, Vice Chair**

February 3, 2014
Conference Room 229
1:30 p.m.
Hawaii State Capitol

Testimony Strongly Supporting Senate Bill 2866, Making an Emergency Appropriation to the Hawaii Health Systems Corporation. Makes an emergency appropriation to the Hawaii Health Systems Corporation.

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 2866, Making an Emergency Appropriation to the Hawaii Health Systems Corporation.

However, HHSC respectfully requests that the Legislature increase the amount of the appropriation of \$15,500,000 to \$18,200,000. The initial request did not include the unfunded cost of collective bargaining pay raises for public sector bargaining units 10 and 13, which were approved during the 2013 Special Legislative Session. The unfunded cost of the pay raises for these two units are approximately \$2,700,000, which explains the increase in the appropriation amount.

HHSC has not pursued an emergency appropriation with the Legislature since the end of the 2009 Legislative Session. Since that time, general fund appropriations for HHSC that were appropriated by the Legislature were \$96.8 million in 2010, \$82.1 million in 2011, \$82.1 million in 2012, \$82.1 million in 2013, and \$82.9 million in 2014. However, HHSC has not received the full amount of these appropriations, as the State Administration restricted \$1.6 million in 2011, \$10.3 million in 2012, and \$3.7 million in 2013. HHSC has managed to survive these lower appropriation levels through fiscal year 2013, but the result of the combination of basically flat operational appropriations with Administration restrictions has left HHSC with dangerously low levels of cash on hand and dangerously high levels of accounts payable as of June 30, 2013.

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FISCAL CHALLENGES FOR HHSC IN FISCAL YEAR 2014

During the 2013 Legislative Session, HHSC informed the Legislators about HHSC's precarious financial position in its budget briefing testimony. During the preparation of HHSC's fiscal year 2014 budget, it became clear that the severity of HHSC's financial condition would be exacerbated by collective bargaining pay increases and Medicare reimbursement reductions as a result of federal deficit reduction legislation.

During the 2013 Legislative Session, the State Administration and the public sector unions agreed on collective bargaining pay increases for bargaining units 1, 2, 3, and 4 of approximately 4% for fiscal year 2014. Further, the result of interest arbitration for bargaining unit 10 resulted in a 3.2% pay increase and the result of interest arbitration for bargaining unit 9 resulted in an effective wage increase of approximately 11%. Although HHSC only has one vote out of thirteen in these negotiations, the State Administration proposed funding HHSC's share of these wage increases through special funds, which would not provide any additional cash to HHSC to cover these wages. However, the Legislature passed Act 283, which provided HHSC with \$12 million in general fund appropriations in fiscal years 2014 and 2015 to pay for collective bargaining cost increases. During the 2013 Special Legislative Session, the State Administration and public sector unions 10 and 13 agreed on collective bargaining pay increases of approximately 4% annually for fiscal years 2014-2017, which is projected to cost HHSC approximately \$2.7 million in fiscal year 2014. However, the Legislature appropriated only special fund appropriations for these raises, not general fund appropriations. Even with the \$12 million in general fund collective bargaining appropriations provided by the Legislature, HHSC still faces an unfunded amount of collective bargaining cost increases of \$11.2 million in fiscal year 2014. It should be noted that this amount does not include any amounts for negotiated settlements for bargaining unit 9, which has yet to be approved or funded by the Legislature.

HHSC also has informed legislators about the \$4.6 million negative impact of Medicare payment reductions as a result of federal deficit legislation. The American Taxpayer Relief Act of 2012 resulted in specific Medicare reimbursement cuts of 2.3% to HHSC's major acute facilities totaling \$2.6 million. Federal sequestration also mandated a 2% across-the-board Medicare reimbursement cut to hospitals, amounting to \$2.0 million for HHSC's facilities. These two pieces of federal legislation continues the trend of downward adjustments to Medicare reimbursements since the establishment of the Patient Protection and Affordable Care Act.

CONTINUANCE OF KAUAI REGION OPERATIONS

In addition, the Kauai Region respectfully requests an emergency appropriation of \$2.4 million to pay overdue accounts payable to enable the region to continue to operate and provide services at current levels. The difficulty of operating efficiently in a rural setting and not resolving the cash shortage will affect patient care. If Kauai Region does not

pay its vendors, staff, and others, the Kauai Region cannot sustain its hospital operations.

CONCLUSION

In summary, HHSC is asking the Legislature to support an emergency appropriation for fiscal year 2014 of \$18,200,000 to pay for collective bargaining shortfalls, Kauai Region operations, and reductions to Medicare reimbursement as a result of federal deficit reduction measures. The justification of this request is as follows:

Reason	Amount
Unfunded Collective Bargaining Pay Increases	\$11,200,000
Medicare Reimbursement Reductions from Federal Deficit Reduction Legislation	\$4,600,000
Kauai Region Operations	\$2,400,000
Total	\$18,200,000

The consequence of not receiving this emergency appropriation is that six of HHSC's twelve facilities will run out of funds to pay payroll and accounts payable before the end of fiscal year 2014, some as soon as May 2014.

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



Community Alliance *for* Mental Health

February, 3, 2014

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To: Senate Health Committee
Re: SB 2866

Aloha Chair Green and the members of the committee,

On behalf of the Community Alliance for Mental Health along with United Self Help we support the passage of SB 2866.

We feel that the passage of this bill is necessary for the transformation of the Hawai'i health care system.

Scott Wall
VP/Legislative Advocate
Community Alliance for Mental Health

From: mailinglist@capitol.hawaii.gov
To: [HTHTestimony](#)
Cc: ted@peskin.net
Subject: Submitted testimony for SB2866 on Feb 3, 2014 13:30PM
Date: Saturday, February 01, 2014 10:07:20 AM

SB2866

Submitted on: 2/1/2014

Testimony for HTH on Feb 3, 2014 13:30PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
edward peskin,MD	Individual	Support	No

Comments: I am a practicing Obstetrician/Gynecologist and am also the Medical Director for Acute Care for the East Hawaii Region of HHSC. We are making great progress in improving the quality of health care in the rapidly growing East Hawaii Region, but are limited by the lack of financial resources to upgrade and maintain our equipment, maintain our buildings, and attract and retain highly skilled health care professionals. The HHSC hospitals and clinics care for many of Hawaii's most vulnerable and needy patients. I hope the legislature will take this info into account and will support this bill

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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