

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3064, S.D. 1

February 25, 2014

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION

Senate Bill No. 3064, S.D. 1, 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The bill is effective on January 1, 2015 and is repealed on January 1, 2025.

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:

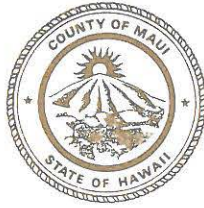
- It is unclear what is meant by “general fund support sufficient to maintain equivalent hospital services in the acquired regions.” Is the general fund support equal to what HHSC or a region is receiving currently? Does the level of support increase due to inflation or other cost increases? Does the 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, 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.

ALAN M. ARAKAWA
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 SENATE
COMMITTEE ON WAYS AND MEANS**

Tuesday, February 25, 2014, 9:20 a.m., Conference Rm. 211

**SENATE BILL 3064
RELATING TO HAWAII HEALTH SYSTEMS CORPORATIONS**

The Honorable David Y. Ige, Chair
Honorable Michelle N. Kidani, Vice Chair
And Members of the Senate Committee on Ways and Means

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.

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

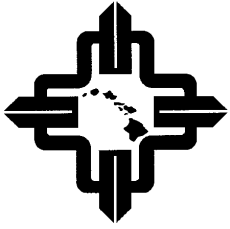
- Amend the bill by deleting the clause "incorporated in the State before January 1, 2000," as this would restrict any choices and hinder any community driven decision-making.
- Require that the State continue meeting all financial obligations to public employees, including all benefits, pensions, and 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.

Senator Ige
SB 3064 relating to the
Hawaii Health Systems Corporations
February 25, 2014
Page 2 of 2

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

- Passage of this bill is essential for the delivery and sustainability of quality health care for the residents of Maui County.
- Operating costs continue to rise while government funding continues to decline.
- 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.
- 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.

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



HAWAII HEALTH SYSTEMS

C O R P O R A T I O N

Quality Healthcare For All

**Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair**

Tuesday, February 25, 2014
Conference Room 211
9:20 a.m.
Hawaii State Capitol

Testimony Strongly Supporting Senate Bill 3064, SD1 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, SD1, 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.

(\$ 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)

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

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.



**Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair**

Tuesday, February 25, 2014
Conference Room 211
9:20AM
Hawaii State Capitol

Alistair W Bairos
Chair, West Hawai'i Regional Board, HHSC

Testimony Strongly Supporting Senate Bill 3064, SD1 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.

I am writing as Chair of the West Hawai'i Regional Board of the Hawai'i Health Systems Corporation (HHSC). Thank you for the opportunity to present testimony in strong support **[revision pending, see below]** of Senate Bill 3064 SD1, which allows the corporation, a regional system or a combination of two or more regional systems to transition to a nonprofit hospital corporation.

It is crucial this bill move forward as the next step in the evolution of the thirteen facilities encompassing HHSC. HHSC is a large organization providing vital services to near one-quarter of the state's residents. The initial creation of HHSC and subsequent readjustments over the years have been essential steps in improving the care delivered by our facilities. The changes envisaged in this current bill are the necessary next step in furthering HHSC's evolution. These changes are absolutely essential as we seek to transform our facilities to meet the current and emerging healthcare needs of the populations we serve.

Enabling the HHSC facilities to pursue a public private partnership with a larger, more robust, highly functioning healthcare system is the only way to achieve the needed economies of scale, access to capital and full integration of best practices that will equitably ensure the populations served continued access to high quality, necessary care.

The one section of the current bill that clearly begs revision is that limiting partnership of HHSC facilities only “to a nonprofit hospital corporation incorporated in Hawaii before January 1, 2000”. It may well be that in-state partners are the best and final choice but the entire thrust of the legislation is to expand HHSC’s options; this provision limits options. I respectfully offer that it is strategically misguided to prematurely limit HHSC’s options at this early stage.

Thank you for the opportunity to testify in support of this [revised] measure

Mahalo,

A handwritten signature in black ink, appearing to read 'Ali Bairos', with a stylized flourish at the end.

Ali Bairos, MD,
Chair, West Hawai'i Regional Board,
HHSC

February 24, 2014

THE SENATE
THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

COMMITTEE ON WAYS AND MEANS
Senator David Ige, Chair
Senator Michelle N. Kidani, Vice Chair

NOTICE OF HEARING
Tuesday, February 25, 2014
9:20 am
Conference Room 211

Testimony in support of SB 3064 SD1, Relating to HHSC. Allows for the transition of HHSC, a regional system , to a nonprofit hospital corporation.

On behalf of our East Hawaii Regional Board of Directors, I am submitting testimony in support of SB 3064 SD1 which allows the transition of HHSC, a regional system, to a nonprofit hospital corporation incorporated in Hawaii.

Our communities, governmental leaders and policy makers, HHSC and regional systems – have attempted to meet our current needs and prepare for the numerous future healthcare challenges which must be addressed in order to provide quality and accessible healthcare at a sustainable cost. Working together, we have taken internal action at the corporate and regional levels (i.e., electronic medical records, implemented operational efficiencies, electronic cost accounting system, improved care coordination and integration, improved quality metrics and outcomes) to meet our communities' needs. It is not enough and the future, with new challenges, is upon.

We want to continue to provide accessible quality care at an affordable and sustainable cost, and therefore look to external alternatives. Throughout the past several years, we have looked at various care delivery models to meet our current needs and address future issues. SB 3064 SD1 outlines the basic framework for transitioning to a nonprofit corporation, and sets forth partnership guidelines to ensure the transition protects employees, the State, and the communities served.

We ask for your support of SB 3064 SD1. Thank you very much.

Sincerely,

GARY YOSHIYAMA
CHAIRPERSON
HHSC East Hawaii Regional Board

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

THE SENATE
THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

COMMITTEE ON WAYS AND MEANS

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

NOTICE OF DECISION MAKING

DATE: Tuesday, February 25, 2014
TIME: 9:20 a.m.
PLACE: Conference Room 211
State Capitol

Howard Ainsley
East Hawaii Regional CEO
Hawaii Health Systems Corporation

Aloha Chairman Ige, Vice Chair Kidani and Member of the Committee:

My name is Howard N. Ainsley, East Hawaii Regional CEO, Hawaii Health Systems Corporation (HHSC), and I'm in strong support of SB 3064, S.D.1 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 East Hawaii Regional CEO for HHSC and a resident of Hawaii Island, 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.

While the exploration of a Public-Private Partnership (PPP) may make many nervous, I believe this is a great opportunity for Hilo Medical Center (HMC) 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 shortage of physicians on the neighbor islands is growing with critical services in jeopardy due to the loss of physicians from retirement or other circumstances. In order to fill these gaps, it will take investments in physicians and infrastructure. Without new sources of funding and capital improvements, it will be increasingly difficult to fill these service providers and we will end up with less than the standard of care on Hawaii Island.

Our aging facilities are also in desperate need of major updating and repair in order to provide for the wellbeing and safety of our employees and patients. They will continue to deteriorate resulting in more costly repairs. And it will make it even more challenging for us to recruit and

HAWAII HEALTH SYSTEMS CORPORATION

retain qualified medical staff. At last tally, the estimated deferred maintenance cost of HHCS facilities is \$1 billion over the next years. We need to find a solution.

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

Thank you.

Howard N. Ainsley
East Hawaii Regional CEO
Hawaii Health Systems Corporation

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: lchun@hhsc.org
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Sunday, February 23, 2014 10:18:07 PM

SB3064

Submitted on: 2/23/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Leslie B. Chun M.D.	Individual	Support	No

Comments: As a member of Maui Memorial Medical Center's Executive Team, a physician, and a resident of Maui, I strongly support this bill to allow HHSC to further explore a public private partnership. The current system is not sustainable and we as a community must find a solution. A public private partnership holds a lot of promise as a solution to save our fragile health care system. We should allow HHSC to explore this option further. Sincerely, Leslie B. Chun M.D. Chief of Clinical and Medical Affairs Maui Memorial Medical Center

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COMBINED TESTIMONY FROM MAUI HEALTH LEADERS

COMMITTEE ON WAYS AND MEANS

Senator David Ige, Chair

Senator Michelle Kidani, Vice Chair

Monday, February 25, 2014

9:20 AM

State Capitol, Room 211

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

Greetings Chair David Ige, Vice Chair Michelle Kidani and Committee Members:

We support S.B. 3064 SD1 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

We are testifying in support of S.B. 3064 SD1 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.

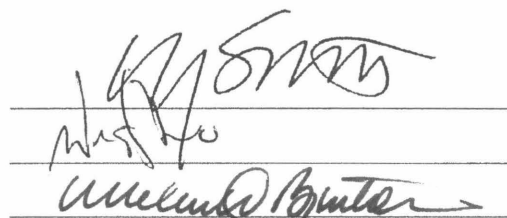
As stewards of the Medical Centers in Maui County, we have a responsibility or implied contract with our community and have moral and legal duties to provide timely, safe, quality care. With shrinking revenue streams and increasing costs, balancing the imperative of quality clinical care, regulatory compliance and fiscal responsibility are challenging. To achieve sustained success we believe that our system must fundamentally change. We see S.B. 3064 SD1 as a positive step in that change.

Sincerely,

Clay Sutherland, Esq, Chair Maui Region Board

Wesley Lo, CEO, MMMC

Melvin D. Burton, M.D., Chief of Staff, MMMC



The image shows three handwritten signatures, each written over a horizontal line. The top signature is the most prominent and appears to be 'Clay Sutherland'. The middle signature is smaller and less legible. The bottom signature is also smaller and less legible.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: icuburton@gmail.com
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Monday, February 24, 2014 8:50:54 AM

SB3064

Submitted on: 2/24/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Melvin D Burton	MMMC Medical Staff	Support	No

Comments: TESTIMONY IN SUPPORT OF SB 3064 SD1, WITH AMENDMENTS
Chair Ige, Vice Chair Kidani and Committee members: We, the Medical Staff of MMMC, support SB 3064 SD1 and recommend amending the bill as follows: (1). Delete the requirement that a nonprofit hospital corporation be incorporated in Hawaii before January 1, 2000. (2). Provide for regional decision making including all regional stakeholders. We are committed to serving our community and delivering the highest possible care during times of illness and injury. We are proud of our enhanced cardiovascular services, neurovascular / neurosurgical / neurocritical care services, critical care services, emergency services, trauma services along with all other essential and supportive services. We are grateful for the dedication of our medical, nursing and hospital staffs who all strive to put the needs of our patients first. Our goal is to continue growing our services and elevating our quality for the good of our community and the state. We see the passage of SB 3064 SD1 with amendments as a critical positive step toward this goal. I thank you on the behalf of MMMC Medical Staff and the hospital community. Sincerely, Melvin D. Burton, MD Chief of Staff

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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Testimony of
Nick Hughey
Regional Chief Business Officer
Maui Memorial Medical Center
Kula Hospital and Clinic
Lanai Community Hospital
on
S.B. 3064, SD1
Relating to Hawaii Health Systems Corporation

Committee on Ways and Means
Tuesday, February 25, 2014
9:20 a.m.
Conference Room 211

Aloha Chair Ige, Vice Chair, Kidani, and Members of the Committee:

I am testifying in **support of S.B. 3064, SD1, 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. Kula Hospital and Clinic provides critical emergency care and primary care to rural upcountry Maui and is major quality provider of nursing home services for the island. Lanai Community Hospital is the only hospital on the island of Lanai and provides critical emergency ,acute and nursing home services to the island.

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 updating its budget and we will have to possibly consider possible reductions in medical services, inventory of supplies and pharmaceuticals, availability of services and/or number of employees.

All of the regional healthcare facilities (MMMC, Kula and Lanai) are aging facilities and 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 the regional facilities 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, Kula Hospital and Lanai Community Hospital serve 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.

Currently HHSC-Maui Region is 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, SD1, 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**

Thank you for your consideration.

February 23, 14

COMMITTEE ON WAYS AND MEANS

Senator David Ige, Chair

Senator Michelle Kidani, Vice Chair

Monday, February 25, 2014

9:20 AM

State Capitol, Room 211

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

Dear Chair Ige, Vice Chair Kidani 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



**Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair**

Tuesday, February 25, 2014
Conference Room 211
9:20AM
Hawaii State Capitol

Patti Aoki
West Hawaii Regional Board, HHSC

Testimony Strongly Supporting Senate Bill 3064, SD1 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.

Aloha: My name is Patti Aoki and I am a member of the West Hawaii Regional Board, HHSC. I was born and raised on the Big Island and it has been a genuine honor and privilege to serve as a Board Member. As a WHRB member, business professional and a mother, I am fully committed to our company mission:

“Providing and enhancing accessible, comprehensive health-care services to our community that are quality driven, customer-focused and cost-effective.”

During my term, it has become increasingly and painfully evident that where we are today as an organization is simply not working and deteriorating rapidly. The good news is that we are fortunate to have a leadership team in West Hawaii who has the capacity to lead our local hospitals to a successful future. Passage of Senate Bill 3064 would begin to open doors so meaningful strategic changes can be pursued.

I urge you to pass Senate Bill 3064. Please support our dedicated hospital leadership. Help us serve our company mission.

Sincerely,

Patti Aoki

Patti Aoki
West Hawaii Regional Board, HHSC

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: smcfarland@hhsc.org
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Sunday, February 23, 2014 12:55:01 PM

SB3064

Submitted on: 2/23/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Scott McFarland	HHSC	Support	Yes

Comments: The HHSC Kauai Region Boards STRONGLY SUPPORTS the legislative intent and purpose of SB3064.

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Testimony of
Wesley Lo
Regional Chief Executive Officer
Maui Memorial Medical Center
on
S.B. 3064, SD1
Relating to Hawaii Health Systems Corporation

Committee on Ways and Means
Tuesday, February 25, 2014
9:20 a.m.
Conference Room 211

Aloha Chair Ige, Vice Chair, Kidani, and Members of the Committee:

I am testifying in **support of S.B. 3064, SD1, 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, SD1, 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.



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
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association
February 25, 2014

S.B. 3064, S.D. 1 - 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. 1, 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. 1, 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. 1.

Respectfully submitted,

Wilbert Holck, Jr.
Deputy Executive Director

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: cvancamp3@hawaii.rr.com
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Saturday, February 22, 2014 8:41:46 AM

SB3064

Submitted on: 2/22/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Carol A. VanCamp	Individual	Support	No

Comments: Our HHSC facilities need to establish private-public partnerships in order to sustain our facilities and services. The state is incapable of providing the capital and ongoing operational funding necessary for our safety-net system.

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: JJNEPHRO@yahoo.com
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Monday, February 24, 2014 9:09:22 AM

SB3064

Submitted on: 2/24/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

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

Comments: COMMITTEE ON WAYS AND MEANS Senator David Ige, Chair Senator Michelle Kidani, Vice Chair Monday, February 25, 2014 9:20 AM State Capitol, Room 211 RE: TESTIMONY IN SUPPORT OF SB 3064 SD1, WITH ADMENDMENTS Greetings Chair Ige, Vice Chair Kidani and Members of the Committee: My name is Cheryl Jones, and I'm in strong support of the intent of S.B. No. 3064 SD1, that seeks to establish a process for the transition of one or more regions of the Hawaii Health Systems Corporation (HHSC) into a nonprofit corporation. As a healthcare professional and a resident of Maui, I am deeply concerned about the future of quality health care services on our island. MMMC is HHSC's largest acute care facility and only full-service hospital in Maui County. We are the only hospital in the state with a 24/7 stroke treatment program, the only neighbor island hospital that provides comprehensive cardiovascular services and the only neighbor island hospital with a Trauma Center designation with neurosurgical and neurocritical care support. I want to see the medical center continue its growth and expansion of services. For the neighbor islands this would provide more healthcare and more jobs for our citizens. For our state, this would provide some redundancy in high level care which is needed given the geography of the state. I support this legislation because we need a solution that will help MMMC, as well other HHSC facilities across the state, become sustainable, rely less on government subsidies and expand services to address the current and future health care needs of our communities. An appropriate partner could provide the magnet that is needed to attract and retain new healthcare providers at this historical time of provider shortage and increasing healthcare demand. On behalf of my colleagues at MMMC and my friends and family on Maui, I urge you to pass legislation that will allow us the option of a public-private partnership. I am, however, greatly concerned that the bill in its current form severely restricts choice and community driven decision-making. I would recommend that the bill be amended by deleting the clause "incorporated in the State before January 1, 2000." Thank you for your service and the opportunity voice the will of my community. Sincerely, Cheryl Jones, RN, PhD

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COMMITTEE ON WAYS AND MEANS

Senator David Ige, Chair

Senator Michelle Kidani, Vice Chair

Monday, February 25, 2014

9:20 AM

State Capitol, Room 211

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

Greetings Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Constantin Novoselsky, I am a physican at MMMC, and I'm in strong support of the intent of S.B. No. 3064 SD1, that seeks to establish a process for the transition of one or more regions of the Hawaii Health Systems Corporation (HHSC) into a nonprofit corporation.

As a healthcare professional of Maui Memorial Medical Center (MMMC) and a resident of Maui, I am deeply concerned about the future of quality health care services on our island. MMMC is HHSC's largest acute care facility and only full-service hospital in Maui County. We are the only hospital in the state with a 24/7 stroke treatment program, the only neighbor island hospital that provides comprehensive cardiovascular services and the only neighbor island hospital with a Trauma Center designation with neurosurgical and neurocritical care support. I want to see the medical center continue its growth and expansion of services. For the neighbor islands this would provide more healthcare and more jobs for our citizens. For our state, this would provide some redundancy in high level care which is needed given the geography of the state.

I support this legislation because we need a solution that will help MMMC, as well other HHSC facilities across the state, become sustainable, rely less on government subsidies and expand services to address the current and future health care needs of our communities.

An appropriate partner could provide the magnet that is needed to attract and retain new healthcare providers at this historical time of provider shortage and increasing healthcare demand.

On behalf of my colleagues at MMMC and my friends and family on Maui, I urge you to pass legislation that will allow us the option of a public-private partnership. I am, however, greatly concerned that the bill in its current form severely restricts choice and community driven decision-making. **I would recommend that the bill be amended by deleting the clause "incorporated in the State before January 1, 2000."**

Thank you for your service and the opportunity voice the will of my community.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Novoselsky', with a large, sweeping flourish underneath.

Constantin Novoselsky, MD

2/22/2014

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: JJNEPHRO@yahoo.com
Subject: Submitted testimony for SB3064 on Feb 25, 2014 09:20AM
Date: Monday, February 24, 2014 9:06:11 AM

SB3064

Submitted on: 2/24/2014

Testimony for WAM on Feb 25, 2014 09:20AM in Conference Room 211

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

Comments: COMMITTEE ON WAYS AND MEANS Senator David Ige, Chair Senator Michelle Kidani, Vice Chair Monday, February 25, 2014 9:20 AM State Capitol, Room 211 RE: TESTIMONY IN SUPPORT OF SB 3064 SD1, WITH ADMENDMENTS Greetings Chair Ige, Vice Chair Kidani and Members of the Committee: My name is James W. Jones, physician at MMMC, and I'm in strong support of the intent of S.B. No. 3064 SD1, that seeks to establish a process for the transition of one or more regions of the Hawaii Health Systems Corporation (HHSC) into a nonprofit corporation. As a healthcare professional of Maui Memorial Medical Center (MMMC) and a resident of Maui, I am deeply concerned about the future of quality health care services on our island. MMMC is HHSC's largest acute care facility and only full-service hospital in Maui County. We are the only hospital in the state with a 24/7 stroke treatment program, the only neighbor island hospital that provides comprehensive cardiovascular services and the only neighbor island hospital with a Trauma Center designation with neurosurgical and neurocritical care support. I want to see the medical center continue its growth and expansion of services. For the neighbor islands this would provide more healthcare and more jobs for our citizens. For our state, this would provide some redundancy in high level care which is needed given the geography of the state. I support this legislation because we need a solution that will help MMMC, as well other HHSC facilities across the state, become sustainable, rely less on government subsidies and expand services to address the current and future health care needs of our communities. An appropriate partner could provide the magnet that is needed to attract and retain new healthcare providers at this historical time of provider shortage and increasing healthcare demand. On behalf of my colleagues at MMMC and my friends and family on Maui, I urge you to pass legislation that will allow us the option of a public-private partnership. I am, however, greatly concerned that the bill in its current form severely restricts choice and community driven decision-making. I would recommend that the bill be amended by deleting the clause "incorporated in the State before January 1, 2000." Thank you for your service and the opportunity voice the will of my community. Sincerely, James W Jones, MD

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MELVIN D. BURTON, MD, D,ABSM, Maui Chest Medicine, 380 Huku Lii 204, Kihei, HI 96753

COMMITTEE ON WAYS AND MEANS

Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair
Monday, February 25, 2014
9:20 AM
State Capitol, Room 211

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

Greetings Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Melvin D. Burton, MD / Chief of Staff at MMMC, and I'm in strong support of the intent of S.B. No. 3064 SD1, that seeks to establish a process for the transition of one or more regions of the Hawaii Health Systems Corporation (HHSC) into a nonprofit corporation.

As a medical doctor of Maui Memorial Medical Center (MMMC) and a resident of Maui, I am deeply concerned about the future of quality health care services on our island. MMMC is HHSC's largest acute care facility and only full-service hospital in Maui County. We are the only hospital in the state with a 24/7 stroke treatment program, the only neighbor island hospital that provides comprehensive cardiovascular services and the only neighbor island hospital with a Trauma Center designation with neurosurgical and neurocritical care support. I want to see the medical center continue its growth and expansion of services. For the neighbor islands this would provide more healthcare and more jobs for our citizens. For our state, this would provide some redundancy in high level care which is needed given the geography of the state.

I support this legislation because we need a solution that will help MMMC, as well other HHSC facilities across the state, become sustainable, rely less on government subsidies and expand services to address the current and future health care needs of our communities.

An appropriate partner could provide the magnet that is needed to attract and retain much needed healthcare providers at this historical time of provider shortage and increasing healthcare demand.

On behalf of my colleagues at MMMC and my friends and family on Maui, I urge you to pass legislation that will allow us the option of a public-private partnership. I am, however, greatly concerned that the bill in its current form severely restricts choice and community driven decision-making. **I would recommend that the bill be amended by deleting the clause "incorporated in the State before January 1, 2000."**

Thank you for your service and the opportunity voice the will of my community.

Sincerely,

Melvin D. Burton, M.D. (Electronically authenticated 2/22/14 by mdburton).

Certifications in Pulmonary Diseases, Sleep Medicine, Critical Care and NeuroCritical Care