



THE SENATE  
Committee on Health  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Hawaii State Capitol, Conference Room 211  
Tuesday, February 25, 2014; 9:20 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 3064, SD1  
RELATING TO HAWAII HEALTH SYSTEMS CORPORATION**

The ILWU Local 142 supports the intent of S.B. 3064, SD1, 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, SD1 offers an alternative for transition to another financial 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, SD1 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, SD1 to continue discussion of alternatives to retain HHSC services. Thank you for considering our testimony.