



TO: COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair

FROM: Richelle Kawasaki, Chief of Organizational Development
Maui Region, Hawaii Health Systems Corporation

NOTICE OF HEARING

DATE: Friday, February 27, 2015
TIME: 3:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

Thank you for the opportunity to provide testimony in opposition to HB 1112, HD2 RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION. The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards, to repeal certain limits on operational authority, and to create new bargaining units for HHSC employees.

Having seen the important advances made to healthcare in the Maui Region due to operational administration and authority being handled locally and policy being set by a regional system board, we strongly oppose reconsolidating HHSC administration and authority. If the Maui Region had not been able to seek out and secure outside financing, we would not have been able to make open heart surgery and interventional cardiology a reality for our residents and visitors.

For many years, our facilities operated under a model that allowed our revenues to be swept into a corporate account and redistributed throughout the system. This model was detrimental to the growth and development of healthcare services in our Region. Our management advisory committee along with administration and our medical staff strongly advocated for changes to the system that would allow us to better control our finances and operations. The Legislature supported us in the desire to see day to day decisions being made at the bedside by those most closely affected by such decisions.

Our local board is comprised of dedicated volunteers that live here in our Region. They have a vested interest in the wellbeing of our facilities because our facilities provide their care as well as care to their families, friends, and business associates. They have every reason to have the best interest of our patients at heart.

We continue to humbly ask for the Legislature's help and assistance in finding a solution to our current fiscal challenges, however we do not feel that reconsolidation of authority in HHSC is the best solution to allow us to continue to grow as a healthcare provider. We also do not believe that passage of this measure is in the best interests of the people of our Region.

We hope that this Legislative Session will bring about positive change and your continued commitment to supporting healthcare here in the Maui Region. We urge you to decline to move this bill forward. Thank you for the opportunity to provide these comments.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

February 27, 2015
Conference Room 308
3:00 p.m.
Hawaii State Capitol

Testimony Making Comments on House Bill 1112, HD2, Relating to the Hawaii Health Systems Corporation

Linda Rosen, M.D., M.P.H.
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 on HB 1112, HD2. HB 1112, HD2, contains three major provisions: 1) the elimination of the regional system boards 2) the authority for HHSC to mortgage its property in order to borrow much needed capital funding, and 3) creation of 7 new collective bargaining units for the various types of HHSC employees. While HHSC has concerns about the elimination of the regional system boards, we support the remaining two provisions.

This measure removes the Regional Boards and places all authority and decision making with the Corporate Board. While this is likely meant to produce improvements in efficiency and accountability, there are potentially adverse disruptive consequences that should be considered. We respectfully request the opportunity for further discussion regarding HHSC function and governance rather than a wholesale removal of the current structure.

As one of largest public health care providers in the nation, HHSC maintains 24/7 acute and long term care facilities across the state. Currently, the bargaining units that encompass HHSC employees also include employees from numerous other state agencies. While HHSC does have authority to negotiate specific memorandums of understanding, under the current system, HHSC has not been able to effectively address key issues that affect our cost of doing business.

BACKGROUND ON MORTGAGE RESTRICTION:

Hawaii Revised Statutes 323F-7(c)(17) states "...provided further that other than to secure revenue bonds and related obligations and agents, and to transition into a new entity, **the corporation or any regional system board shall not sell, assign, lease, hypothecate, mortgage, pledge, give, or dispose of all or substantially all of its property**; and provided further that each regional system board shall be responsible for conducting the activities under this paragraph in its own regional system, and control over such property shall be delegated to each regional system board; provided further that this paragraph shall not be construed to authorize the sale, pledge, or mortgage of real property under the control of the corporation or a regional system board."

HHSC respectfully requests that the Legislature remove this restriction. HHSC understands that the Legislature's ability to provide capital improvements to HHSC is limited. Removing the mortgage restriction would allow HHSC to access capital in the private financing markets, which would allow HHSC to develop new service lines that could result in decreased need for state subsidy while, at the same time, providing value-added healthcare services to the communities that HHSC serves. This would also allow HHSC to maintain its buildings and medical equipment in good working order without having to rely on continuing CIP appropriations from the State of Hawaii. Finally, this mortgage restriction would hamper some of the master planning efforts going on at some of the regions, particularly those looking to find private development to replace aging facilities.

BACKGROUND ON MUNICIPAL LEASING LIMITS

Hawaii Revised States 323F-7(d) states, "Each regional system board shall not be subject to chapters 36 to 38, 40, 41D, and 103D as well as part I of chapter 92 and shall enjoy the exemptions contained in sections 102-2 and 103-53(e), except as otherwise provided in this chapter. The corporation shall not be subject to chapters 36 to 38, 40, and 41D, as well as part I of chapter 92, and shall enjoy the exemptions contained in sections 102-2 and 103-53(e); provided that the exemption provided under this subsection to chapter 37D shall only apply to financing agreements of \$5,000,000 or less; **provided further that the aggregate value of financing agreements per fiscal year shall not exceed \$25,000,000.**"

HHSC is not clear whether the limit placed on financing arrangements was meant to be \$25,000,000 for the entire corporation or for each region. HHSC respectfully requests that this section be clarified to state explicitly that the limit on financing arrangements of \$25,000,000 applies to each region, and not to the corporation as a whole.

Thank you for the opportunity to testify.



KONA
COMMUNITY HOSPITAL

February 26, 2015

TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee

Date: Friday, February 27, 2015

Time: 3:00 p.m.

Place: Conference Room 308

State Capitol

415 South Beretania Street

FROM: Jay Kreuzer, CEO, West Hawaii Region, Hawaii Health Systems Corp.

RE: HB 1112, HD2- Relating to the Hawaii Health Systems Corporation.

Thank you for the opportunity to submit testimony in **OPPOSITION** of HB 1112, HD2.

The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards. It repeals certain limits on operational authority and amends HHSC supplemental bargaining agreements for HHSC employees.

The West Hawaii Region **OPPOSES** the adoption of this bill.

The West Hawaii Region has implemented a number of progressive initiatives in alignment with our Regional Strategic Plan. These initiatives have resulted in sustainable and measurable operational and financial performance improvements. They have also improved efficiencies, added services, and created strong health care partnerships for the West Hawaii community.

These achievements would not have been possible under a centralized model of healthcare. For instance, our most recent initiative, which resulted in financial improvements of \$9 million would not have been realized within a centralized structure. Daily decision making is most effective when administered from each region's unique set of operational and financial realities. It allows for efficiency and flexibility.

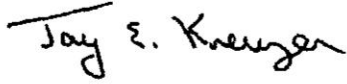
We also strongly oppose the elimination of Regional Boards and the administrative merging of the West Hawaii and the East Hawaii Regions. We do not believe that this is in the best interest of our patient population, employees or the West Hawaii community.

Under the governance of a highly experienced board, the West Hawaii Region has adopted a carefully formulated strategic plan with a primary objective of entering into a Public Private Partnership with a strong local partner. Our strategic plan is not compatible with the East Hawaii Region's publicly stated strategic plan. An administrative merge of the West and East Hawaii regions would directly impede our stated strategic goals.

I appreciate the Legislature's ongoing commitment to resolving the challenges of all HHSC regions. Our hope is for a positive outcome for HHSC corporate and for all regions. I strongly urge you to decline to move this bill forward.

Thank you for allowing me to submit testimony.

Respectfully submitted,



Jay Kreuzer
CEO
West Hawaii Region
Hawaii Health Systems Corp.

February 26, 2015

TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee

Date: Friday, February 27, 2015

Time: 3:00 p.m.

Place: Conference Room 308
State Capitol
415 South Beretania Street

FROM:

RE: HB 1112, HD2- Relating to the Hawaii Health Systems Corporation.

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The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards. It repeals certain limits on operational authority and amends HHSC supplemental bargaining agreements for HHSC employees.

The West Hawaii Region strongly **OPPOSES** the adoption of this bill.

The HHSC West Hawaii Region is currently implementing a series of process improvement and quality initiatives developed by our board's Strategic Planning Committee over the past 4 years. These initiatives have already resulted in documentable efficiencies and financial performance improvement.

Our long term goals include planning for some type of Public Private Partnership. This is the only way we can acquire the management expertise and financial resources required to fulfill our mission of access to quality healthcare for the citizens of West Hawaii Island. These resources are not now available and can never be provided by any conceivable public hospital system. The state is already at its financial limits.

Similar publicly announced plans by other HHSC regions make it clear that a "one size fits all" solution is unworkable for our diverse state. A centralized system has advantages and can be workable, but only if managed by highly skilled **healthcare professionals** that also have the financial resources to implement their objectives. These resources are not available in the state system.

We also strongly oppose the elimination of Regional Boards and the administrative merging of the West Hawaii and the East Hawaii Regions. We have previously mentioned our strategic objective of pursuing various levels of partnership with a strong local partner. This critical strategic objective is not compatible with the East Hawaii Region's publicly stated plans. An administrative merger of the West and East Hawaii regions would create an incredibly complex management problem as each region tries to work its way toward legitimately divergent goals.

Mahalo to the legislature for the continuing efforts to provide quality healthcare for all of the citizens of Hawaii. Unfortunately this bill does not advance that goal.

Thank you for consideration of this testimony.

Respectfully,

William R. Cliff

Chairperson

HHSC West Hawaii Regional Board of Directors

Testimony of WESLEY LO

HOUSE OF REPRESENTATIVES
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair

DATE: Friday, February 27, 2015
TIME: 3:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

TESTIMONY WITH COMMENTS HOUSE BILL 1112 HD2

Chair Luke, Vice Chair Nishimoto, and members of the House Committee on Finance:

Thank you for the opportunity to PROVIDE COMMENTS on HB 1112 HD2

HB1112 appears to be an “omnibus” bill that has portions of several bills with various intents in it, including the following

- Portions of HB 1420 to eliminate the Regional Boards
- Portions of HB 1145 which lifts the prohibitions and mortgages on the sale of real properties
- Portions of HB 1146 to create separate bargaining units for HHSC Employees

Also, it appears that HB 1112, essentially restricts the ability of the any facility or region of HHSC to pursue public private partnership as it has no funding provision or labor transition language that is necessary for any public private partnership

Comments related to these changes are as follows:

- **We are opposed to the elimination of Regional Boards.** The creation of Regional Boards has been critical in the improvements in the expansion of services in the Maui Region and the improvement in its financial situation from 2008 to 2013. Healthcare is “local” and governance needs to be closer to the “bedside” for Hospitals to thrive

- We **support the lifting of prohibitions on mortgages**. Mortgages are needed for regions to access the capital markets. The legislature will continue to have ability to restrict mortgages and legislative approval is needed to issue Revenue Bonds (which typically require mortgages). Accordingly, by lifting the prohibition on mortgages, the legislature will still have oversight over any issuance of a financial instrument that requires mortgages.
- We **support the creation of new Collective Bargaining Units for HHSC**. HHSC is one of the only 24/7 census driven operations in the State. Since HHSC employees are currently part of the same Bargaining Units across the State, it makes it difficult to have appropriate work rules that for both “normal” State Workers, and Hospital Workers
- **In regards to Enabling Legislation for Public Private Partnership, we are requesting that the original language of HB 1112 be re-inserted.**

Thank you for the opportunity to provide comments on this legislation

Wesley Lo
Regional Chief Executive Officer
Maui Region
Hawaii Health Systems Corporation

February 25, 2015

TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee

Date: Friday, February 27, 2015
Time: 3:00 p.m.
Place: Conference Room 308
State Capitol
415 South Beretania Street

FROM: Renee L. Inaba, Vice Chair for the West Hawaii Regional BOD for HHSC

RE: HB 1112, HD2- Relating to the Hawaii Health Systems Corporation.

Thank you for the opportunity to submit testimony in **OPPOSITION of HB 1112, HD2.**

The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards. It repeals certain limits on operational authority and amends HHSC supplemental bargaining agreements for HHSC employees.

The West Hawaii Region **OPPOSES** the adoption of this bill.

The West Hawaii Region has implemented a number of progressive initiatives in alignment with our Regional Strategic Plan. These initiatives have resulted in sustainable and measurable operational and financial performance improvements. They have also improved efficiencies, added services, and created strong health care partnerships for the West Hawaii community.

These achievements would not have been possible under a centralized model of healthcare. For instance, our most recent initiative, which resulted in financial improvements of \$9 million would not have been realized within a centralized structure. Daily decision making is most effective when administered from each region's unique set of operational and financial realities. It allows for efficiency and flexibility.

We also strongly oppose the elimination of Regional Boards and the administrative merging of the West Hawaii and the East Hawaii Regions. We do not believe that this is in the best interest of our patient population, employees or the West Hawaii community.

Under the governance of a highly experienced board, the West Hawaii Region has adopted a carefully formulated strategic plan with a primary objective of entering into a Public Private Partnership with a strong local partner. Our strategic plan is not compatible with the East Hawaii Region's publicly stated strategic plan. An administrative merge of the West and East Hawaii regions would directly impede our stated strategic goals.

I appreciate the Legislature's ongoing commitment to resolving the challenges of all HHSC regions. Our hope is for a positive outcome for HHSC corporate and for all regions. I strongly urge you to decline to move this bill forward.

Thank you for allowing me to submit testimony.

Respectfully submitted,

Renee L. Inaba, Vice Chair West Hawaii Regional Board of Directors

State of Hawaii
House of Representatives
The Twenty-Eighth Legislature
Regular Session of 2015

COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair

Rep. Romy M. Cachola	Rep. Nicole E. Lowen
Rep. Ty J.K. Cullen	Rep. Richard H.K. Onishi
Rep. Lynn DeCoite	Rep. James Kunane Tokioka
Rep. Aaron Ling Johanson	Rep. Kyle T. Yamashita
Rep. Jarrett Keohokalole	Rep. Feki Pouha
Rep. Bertrand Kobayashi	Rep. Gene Ward

Date: Friday, February 27, 2015
Time: 3 P.M.
Place: Conference Room 308
State Capitol
415 South Beretania Street

TESTIMONY AGAINST

HB 1112, HD2 (HSCR469)

RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

Reconsolidates HHSC operational administration and oversight by eliminating regional system boards. Repeals certain limits on operational authority. Amends HHSC supplemental bargaining agreements for HHSC employees.

Chair Luke, Vice Chair Nishimoto and Members of the Committee on Finance

My name is Susan Stewart. I am acting CMO of Maui Memorial Medical Center (MMMC) and a former member of the Maui Regional Board. I was a physician actively caring for patients at MMMC from 1986 until June of 2013. I have personally witnessed the improvements in patient care on Maui and the expansion of medical services available to the people of Maui. For the past year I have worked in administration at the hospital and have had first-hand experience with the difficulties encountered in delivering care and expanding services while working in a system encumbered by work rules and union rules that are not suited to a 24/7 hospital operation. These rules often force us to be inefficient and wasteful of valuable resources.

I do not feel that Maui Memorial should be the "Mayo of the Pacific." I do feel that medical care that is of proven value, that saves lives and prevents disability, needs to be provided to our population. Yes we

need our heart program because minutes lost in treatment translate into bad outcomes. Yes we need our stroke program because minutes can mean the difference between full recovery and a life spent in a wheel chair. Yes we need our trauma services because appropriate and prompt intervention can mean the difference between life and death. Having served this community for well over two decades, I have witnessed the growth of these services which occurred after the regional board system was established. I do not believe this would have occurred in the centralized HHSC system and am loathe to think we could regress to a system that did not allow us the flexibility to improve.

Changes in medical care and documentation have placed increased stress on an already stressed system. New layers of expenses are continually being added for coding, documentation and reporting. In addition our employment expenses have risen significantly. Despite being unprecedentedly busy this winter our revenues cannot keep up with the expenses. We need help to avert cutting services and to be able to continue to provide quality care to the citizens of Maui and ideally to further expand services.

I appreciate the fiscal reality that the legislature and governor face. I am sympathetic. You have difficult choices you need to make. But I feel we have an alternative available that will not place further fiscal strain on the Hawaii State Government, and will allow us to achieve our medical goals and that solution is not HB 1112, HD2 (HSCR469).

Thank you for your attention.

February 26, 2015

TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee

Date: Friday, February 27, 2015

Time: 3:00 p.m.

Place: Conference Room 308

State Capitol

415 South Beretania Street

FROM: Judy Donovan, Dir. Marketing & Communications, West Hawaii Region
Hawaii Health Systems Corp.

RE: HB 1112, HD2- Relating to the Hawaii Health Systems Corporation.

Thank you for the opportunity to submit testimony in **OPPOSITION of HB 1112, HD2.**

The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards. It repeals certain limits on operational authority and amends HHSC supplemental bargaining agreements for HHSC employees.

I **OPPOSE** the adoption of this bill.

The West Hawaii Region has implemented a number of progressive initiatives in alignment with our Regional Strategic Plan. These initiatives have resulted in sustainable and measurable operational and financial performance improvements. They have also improved efficiencies, added services, and created strong health care partnerships for the West Hawaii community.

These achievements would not have been possible under a centralized model of healthcare. For instance, our most recent initiative, which resulted in financial improvements of \$9 million would not have been realized within a centralized structure. Daily decision making is most effective when administered from each region's unique set of operational and financial realities. It allows for efficiency and flexibility.

I also strongly oppose the elimination of Regional Boards and the administrative merging of the West Hawaii and the East Hawaii Regions. I do not believe that this is in the best interest of our patient population, employees or the West Hawaii community.

Under the governance of a highly experienced board, the West Hawaii Region has adopted a carefully formulated strategic plan with a primary objective of entering into a Public Private Partnership with a strong local partner. Our strategic plan is not compatible with the East Hawaii Region's publicly stated strategic plan. An administrative merge of the West and East Hawaii regions would directly impede our stated strategic goals.

I appreciate the Legislature's ongoing commitment to resolving the challenges of all HHSC regions. Our hope is for a positive outcome for HHSC corporate and for all regions. I strongly urge you to decline to move this bill forward.

Thank you for allowing me to submit testimony.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judy Donovan".

Judy Donovan
Dir. Marketing & Communications
West Hawaii Region
Hawaii Health Systems Corp

February 26, 2015

TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee

Date: Friday, February 27, 2015

Time: 3:00 p.m.

Place: Conference Room 308

State Capitol

415 South Beretania Street

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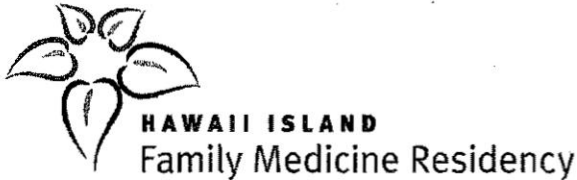
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I appreciate the Legislature's ongoing commitment to resolving the challenges of all HHSC regions. Our hope is for a positive outcome for HHSC corporate and for all regions. I strongly urge you to decline to move this bill forward.

Thank you for allowing me to submit testimony.

Respectfully submitted,

Reed Flickinger
Member
HHSC West Hawaii Regional Board



Kristine I McCoy, MD, MPH

Director

HHSC Primary Care Training Program

45 Mohouli Street

Hilo, HI 96720

(808) 932-4215

FAX (808) 933-9291

February 26, 2015

**HOUSE OF REPRESENTATIVES
THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2015**

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott Y. Nishimoto, Vice Chair

Rep. Romy M. Cachola	Rep. Nicole E. Lowen
Rep. Ty J.K. Cullen	Rep. Richard H.K. Onishi
Rep. Lynn DeCoite	Rep. James Kunane Tokioka
Rep. Aaron Ling Johanson	Rep. Kyle T. Yamashita
Rep. Jo Jordan	Rep. Feki Pouha
Rep. Jarrett Keohokalole	Rep. Gene Ward
Rep. Bertrand Kobayashi	

NOTICE OF HEARING

Friday, February 27, 2015 at 11:00 pm

Conference Room 308

State Capitol

415 South Beretania Street

TESTIMONY IN OPPOSITION TO HB 1112 HD2

I, Kristine I McCoy, MD, MPH, Director of the Hawaii Academy of Family Physicians and Director of the HHSC Primary Care Training Program am writing ask that you do not pass HB 1112 out of this committee.

Working within the East Hawaii Region of HHSC over the past three years has certainly had its challenges. It is a huge responsibility for citizens to take such an active role in their local health care and yet, that is exactly what they do, giving each region the opportunity to be responsive to the unique needs of our variable island communities. With no disrespect to Dr. Linda Rosen or any of the other individuals who work for HHSC Corporate, I have found that most of the roadblocks I have encountered in developing a top notch educational program in Hilo have come from the corporate level, which is unable to keep up with modern needs in information technology, continuing education, and personnel management.

Despite our challenges in the HHSC regions, I ask that we be allowed to continue to work through our challenges locally, including the Maui region's public private partnership, and other system and community alliances that will improve our finances as well as the health care we deliver, the work-related quality of life of our employees, and the education we are able to deliver to the many health professions trainees getting educated within the HHSC system.

Sincerely,

HOUSE COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair

Rep. Scott N. Nishimoto, Vice Chair

Rep. Romy M. Cachola

Rep. Nicole E. Lowen

Rep. Ty J.K. Cullen

Rep. Richard H.K. Onishi

Rep. Lynn DeCoite

Rep. James Kunane Tokioka

Rep. Aaron Ling Johanson

Rep. Kyle T. Yamashita

Rep. Jo Jordan

Rep. Feki Pouha

Rep. Jarrett Keohokalole

Rep. Gene Ward

Rep. Bertrand Kobayashi

NOTICE OF HEARING

Friday, February 27, 2015 at 3:00 pm

Conference Room 308

State Capitol

415 South Beretania Street

**TESTIMONY IN OPPOSITION OF HB 1112 HD2
RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION**

Dan Brinkman

Interim Regional Chief Executive Officer

East Hawaii Region, HHSC

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation (HHSC), thank you for the opportunity to present testimony on HB 1112, HD2.

The East Hawaii Region opposes the elimination of the regional system boards, however we support the provisions of the bill that provide for mortgage authority and new collective bargaining units for HHSC.

We believe that the intent of Act 290 has been realized in East Hawaii. Our highly engaged regional board, composed of professional experts and community leaders, has driven substantive and positive changes in the delivery of our region's healthcare. We have modernized our systems, including installing a highly efficient and cost effective electronic medical record system, increased our revenues, controlled our expenses and have greatly improved quality and the patient experience.

We also believe that each region is unique in its geography, demographics, business environment, types of operations (acute vs long-term care) and the size of its business. While there is merit to the idea that de-centralization has not been successful in all regions, re-centralizing imposes a "one size fits all" remedy and neglects the fact that some regions have greatly benefited from community control. Additionally the primary cause of the public hospital system's poor condition is not its

organizational structure, but due to the imposing outside forces of declining reimbursements, increased cost of healthcare (i.e. supplies, medicine, employment), and the unique challenges of providing “safety net” care for communities that are geographically dispersed, socio-economically challenged and aging.

Our solution for East Hawaii is one of service oriented local partnerships with other healthcare providers, especially those on the Big Island. We are seeking predictable and sustainable funding of our safety net mission and coverage of collective bargaining costs. The stability that is offered by these measured steps will give the region’s board the resources to succeed in maintaining and improving the region’s operations.

HD 1112 HD2 removes the Regional Boards and places all authority and decision making with the Corporate Board. While this is intended to produce improvements in efficiency and accountability, there are potentially adverse disruptive consequences that should be considered, most significantly the loss of community support, “ownership” and direction. We respectfully request the opportunity for further discussion regarding East Hawaii and HHSC’s function and governance, rather than a wholesale removal of the current structure.



HPCCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

Testimony on House Bill 1112 HD 2
Relating to the Hawaii Health Systems Corporation
Submitted by Nani Medeiros, Policy & Public Affairs Director
February 27, 2015, 3:00 pm, Room 308

The Hawaii Primary Care Association (HPCA), which represents the federally qualified community health centers in Hawaii, supports the intent of House Bill 1112, reconsolidating the HHSC operational administration and oversight by eliminating regional system boards.

In the process of that reconsolidation, the HPCA would ask that special attention be paid to HRS §323F-25, which states:

“Regional system board; community hospitals; community health centers; collaboration. Each regional system board and each community hospital under the jurisdiction of the corporation shall collaborate with community health centers within their respective geographic jurisdictions to maximize funding from the state and federal governments to:

- (1) Maximize reimbursement for health care services provided;
- (2) Acquire funds for capital investment;
- (3) Provide expanded hours of service; and
- (4) Ensure the provision of the appropriate level of care to the community served by each community health center.”

In some portions of the state, community health centers serve a sizable percentage of the population. In order for both entities to stay fiscally sustainable and ensure there are no lapses in access to care for residents, active and engaged participation must take place.

Thank you for the opportunity to testify.

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 9:50 AM
To: FINTestimony
Cc: dshaw@lanaicommunityhealthcenter.org
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Diana Shaw	Lanai Community Health Center	Support	No

Comments: Additional wording should be added to the effect it is "mandated that HHSC and/or contracted partners include CHC's as equal partners in planning and implementation of Region changes, including but not limited to providing CHC providers with admitting privileges, ensuring that Region changes do not duplicate services or eliminate patient choice, and including CHC's in the discussion and decision makng."

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 10:49 AM
To: FINTestimony
Cc: beverlyzigmond@juno.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
beverlyzigmond	Lanai Community Health Center	Support	No

Comments: Please support this bill with the mandate that HHSC, and/or its contracted partners, will include Community Health Centers (CHCs) as equal partners in all stages of planning and implementation. CHCs must be granted admitting privileges so as to not duplicate services and so as to ensure patient choice. thank you.

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finance8-Melanie

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2015 4:37 PM
To: FINTestimony
Cc: ksalomon@hhsc.org
Subject: *Submitted testimony for HB1112 on Feb 27, 2015 15:00PM*

HB1112

Submitted on: 2/25/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Kathryn Salomon	Individual	Oppose	No

Comments:

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finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2015 4:45 PM
To: FINTestimony
Cc: alohafidlr@aol.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/25/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Joel Gimpel	Individual	Oppose	No

Comments: I supported this legislation, as introduced, because it would have facilitated HHSC regions efforts to enter into public-private partnerships in order to more efficiently and cost-effectively provide needed health care services to our citizens and visitors on the neighbor islands. As amended, this bill is an atrocity because it eliminates the provisions facilitating such partnerships, which are widely recognized as needed, and instead emasculates local control over the provision of health services on the neighbor islands. Returning to the pre-HHSC structure that proved unsuccessful in the past is not the smart way to proceed.

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February 26, 2015

**TO: House Committee on Finance
Sylvia Luke, Chair
Scott Y. Nishimoto, Vice Chair
Honorable Members of the Committee**

**Date: Friday, February 27, 2015
Time: 3:00 p.m.
Place: Conference Room 308
State Capitol
415 South Beretania Street**

FROM: Frank H. Sayre, D.D.S.

RE: HB 1112, HD2- Relating to the Hawaii Health Systems Corporation.

Thank you for the opportunity to submit testimony in **OPPOSITION of HB 1112, HD2.**

The purpose of this bill is to reconsolidate HHSC operational administration and oversight by eliminating regional system boards. It repeals certain limits on operational authority and amends HHSC supplemental bargaining agreements for HHSC employees.

The West Hawaii Region **OPPOSES** the adoption of this bill.

The West Hawaii Region has implemented a number of progressive initiatives in alignment with our Regional Strategic Plan. These initiatives have resulted in sustainable and measurable operational and financial performance improvements. They have also improved efficiencies, added services, and created strong health care partnerships for the West Hawaii community.

These achievements would not have been possible under a centralized model of healthcare. For instance, our most recent initiative, which resulted in financial improvements of \$9 million would not have been realized within a centralized structure. Daily decision making is most effective when administered from each region's unique set of operational and financial realities. It allows for efficiency and flexibility.

We also strongly oppose the elimination of Regional Boards and the administrative merging of the West Hawaii and the East Hawaii Regions. We do not believe that this is in the best interest of our patient population, employees or the West Hawaii community.

Under the governance of a highly experienced board, the West Hawaii Region has adopted a carefully formulated strategic plan with a primary objective of entering into a Public Private Partnership with a strong local partner. Our strategic plan is not compatible with the East Hawaii Region's publicly stated strategic plan. An administrative merge of the West and East Hawaii regions would directly impede our stated strategic goals.

I appreciate the Legislature's ongoing commitment to resolving the challenges of all HHSC regions. Our hope is for a positive outcome for HHSC corporate and for all regions. I strongly urge you to decline to move this bill forward.

Thank you for allowing me to submit testimony.

Respectfully submitted,

Frank H. Sayre, D.D.S.

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 25, 2015 5:56 PM
To: FINTestimony
Cc: thirr33@gmail.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/25/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Arvid Tadao Youngquist	Individual	Support	Yes

Comments: Chair and Vice Chair, House Finance Committee Honorable Members, Finance Committee, State of Hawaii House of Representatives I support this measure, HB 1112 HD2, which originally-Reconsolidates HHSC operational administration and oversight by eliminating regional system boards. Repeals certain limits on operational authority. Amends HHSC supplemental bargaining agreements for HHSC employees. (HB1112 HD2) With the change to HD2 is appears to be more palatable, but certain modifications may still have to be made to accommodate UPW reservations and opposition. As often is the case, they are part of the work force at other State Hospitals, and I am sure that is the case at this Facility in Question. I would prefer a system that re-enforces the current team of workers, rather than privatization, or even private- public partnerships. An open-ended subsidy for a non-profit entity, even from within the State is no safeguard for fiscal value for tax payers, or commitments made to patients, workers, or the local community in general. Please report this measure out with minimal disruption of the community sense of place and ownership of a local Hospital that they can rely upon for an improved quality of care instead of a failed promise of the providers managing service and continuity of care. Mahalo for the opportunity to provide testimony. Arvid Tadao Youngquist Oahu Resident and Voter

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finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 9:53 AM
To: FINTestimony
Cc: rkayelny@gmail.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Robin Kaye	Individual	Support	No

Comments: HHSC and/or contracted partners should include Community Health Centers (CHC) as equal partners in planning and implementation of Region changes, including but not limited to providing CHC with admitting privileges.

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finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 9:54 AM
To: FINTestimony
Cc: shawdm2@gmail.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Shaw	Individual	Support	No

Comments: Additional wording should be added to the effect it is "mandated that HHSC and/or contracted partners include CHC's as equal partners in planning and implementation of Region changes, including but not limited to providing CHC providers with admitting privileges, ensuring that Region changes do not duplicate services or eliminate patient choice, and including CHC's in the discussion and decision makng." I want MY Doctor and APRNs to admit to any Hospital, ER, and LTC on my island! I want choice as to who I can go to see! I do not want my personal health care provider excluded from providing any part of my health care on this island.

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finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 9:58 AM
To: FINTestimony
Cc: afernandez@fhb.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Aaron Fernandez	Individual	Support	No

Comments: Mandated that HHSC and/or contracted partners include with CHC's as equal partners in planning and implementation of Region changes, including but not limited to providing CHC providers with admitting privileges, ensuring that Region changes do not duplicate services or eliminate patient choice

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FIN-Jo

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 8:53 AM
To: FINTestimony
Cc: kanemotow001@hawaii.rr.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Wayne Kanemoto	Individual	Oppose	No

Comments: As a East Hawaii Region Board member, I oppose the proposed language in HB 1112 HD1 that replaces the Regional Board system with a single Corporate Board for the following reasons: There will be no financial advantage to be gained by moving governance from the regions to Oahu. Regional Board Members serve without compensation and devote considerable time, knowledge and influence over the management of their institutions. Regional operational and financial controls will be impaired by consolidating administrative decision making away from the Region. This will have a negative impact on the timeliness of decisions and will increase the costs of operations. The differing service needs, resources and community expectations will be adversely impacted by the loss of local governance and direction provided by the current Regional Boards.

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Date 2/25/15

I am submitting testimony **in opposition of HB 1112**

- Testifier's name with position/title and organization: **Lauren Okamoto, MD. Title Family Medicine Physician and Geriatric Medicine Physician**
- The Committee(s) to which the comments are directed: **Committee on Finance**
- The date and time of the hearing;
 - DATE: Friday, February 27, 2015
 - TIME: 3:00 P.M.
 - PLACE: Conference Room 308
State Capitol
415 South Beretania Street

- Measure number. **HB 1112**

Testimony from Bruce S. Anderson, Ph.D.

Re: HB 1112, HD2, Relating to the Hawaii Health Systems Corporation

Date: February 26, 2015

I strongly support HB 1112, HD2, which would re consolidate HHSC operational administration and oversight by eliminating the regional system boards.

The twelve hospitals and outpatient clinics that compose Hawaii Health Systems Corporation (HHSC) provide most of the acute and long-term services on the Neighbor Islands. HHSC's dedicated staff and healthcare providers - primarily civil service employees - deliver remarkable care, despite aging facilities. They are not the problem; the problem is HHSC's dysfunctional governance structure. Reconsolidating HHSC's operational administration and oversight into one integrated system by eliminating regional system boards and replacing them with regional advisory boards would help to assure accountability to the legislature, the public and, perhaps most important, those that HHSC serves. The regional advisory boards would help to assure that regional interests are heard.

The Hawaii State Legislature created HHSC in 1996 (Act 262), in an attempt to make our public hospital system look and operate more like a private hospital system. That was a good first step. While successful hospital systems across the country were consolidating operations, however, Hawaii derailed in the opposite direction: In 2007, Act 290 substantially changed HHSC, creating five regional health systems - Kauai, Oahu, East Hawaii, West Hawaii and Maui - each managing operations independently. Every region has a separate, independent board of directors, vested with equal authority as the Corporate Board. Act 290 essentially assured that Maui Region (the region with the largest budget), for example, could operate independently, unconcerned - and often uncommunicative - with the other island systems.

Led by Maui Region, HHSC's latest solution to fiscal crisis was to lease or sell its hospitals to Banner Health, a huge private hospital system based in Phoenix, Arizona. Ironically, this would have resulted in a near-total loss of service control, but that did not deter Maui Region and its Board affiliates. Banner executives made very clear that decisions would be made in Phoenix, not Hawaii, per established company procedure. Maui Region and others on the HHSC Board largely pursued this takeover in secret, knowing that privatization would ultimately cost hundreds of jobs. Keep in mind that many rural areas in Hawaii rely on HHSC as their largest employer. Never did the Banner proponents submit a "request for proposals," or ever seriously pursue possible partnerships with local hospitals.

One cannot blame Banner Health, who had nothing to lose. Little to no competition existed for hospital services on most Neighbor Islands, and HHSC was advocating to pay Banner the same subsidies it was receiving. What a deal! If Banner downsized Hawaii's hospital workforce, and avoided paying civil service benefits, it had everything to gain. Although both Queen's and Hawaii Pacific Health had expressed interest in partnerships, the HHSC Board essentially ignored their interests. All eyes focused on Banner Health. Maui Region and other powers behind HHSC viewed our local hospital systems as competitors, not partners. Fortunately, that has changed a little in recent months; at least discussions have started with Hawaii Pacific Health and perhaps other local hospitals.

National doubts are now arising on the long-term impact of hospital chain mergers and acquisitions. Dozens of mega mergers occur each year. A Federal appeals court recently ordered a major healthcare system in northwest Ohio to unwind its merger with a local hospital. The unanimous decision, by a three-judge panel of the Sixth U.S. Circuit Court of Appeals, followed concerns about the effect of mergers on patient prices. The Federal Trade Commission moved to block the merger under an antitrust statute – claiming the deal would encourage a price hike for inpatient services – and the Federal court agreed.

Since 2007, only one small step has improved the governance of HHSC. In 2013, Act 278 was finally signed into law, after a threatened veto by Governor Abercrombie – changing the status of the five regional CEOs on the Corporate Board into ex-officio nonvoting members, and calling on the Governor to appoint five replacement Board members. On any corporate board, management should never have a vote, given conflicts of interest. Nevertheless, revisions invoked by Act 278 likely threatened Maui Region and others in power. Governor Abercrombie, conveniently, took over a year to appoint the new Board members, assuring no significant change for at least that period.

Much more remains to be done.

First, extreme autonomy fragments our healthcare system. One entity, a single Corporate Board, needs the authority to make policy decisions, and must stand accountable to the legislature and all who provide “safety net” funding. Five separate regional boards (each with equal authority to the Corporate Board), and five independent CEOs (none accountable for the performance of the system as a whole) cannot manage in concert.

The fourth-largest public hospital in the nation, HHSC operates as five separate systems. Duplicating efforts, HHSC now fails to fully engage economies of scale, which could leverage resources with considerable bargaining power. Millions of dollars could be saved every year, by centralizing: billing, supply and equipment procurement, office administration, human resource management,

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 12:41 PM
To: FINTestimony
Cc: ktoura@hawaii.rr.com
Subject: *Submitted testimony for HB1112 on Feb 27, 2015 15:00PM*

HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Oura	Individual	Oppose	No

Comments:

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February 26, 2015

**TO: The Honorable Sylvia Luke, Chair
The Honorable Scott Y. Nishimoto, Vice Chair**

Honorable Members of the Committee on Finance

Hearing Date: Friday, February 27, 2015

Time: 3:00 P.M.

**Place: Conference Room 308 -- State Capitol
415 South Beretania Street**

FROM:

**SUBJECT: Testimony regarding HB 1112, HD 2 -- Relating to Hawaii Health
Systems Corporation**

Thank you for the opportunity to submit testimony for **HB 1112 HD 2**. The purpose of this measure is to reconsolidate the operational administration and oversight within HHSC by eliminating the regional system boards, and making other changes to the operations of HHSC.

I support the establishment of supplemental bargaining agreements for HHSC employees, and providing additional operational autonomy for HHSC, but do not support the consolidation of the regional boards and centralization of HHSC operations.

This measure seeks to remove perceived duplications in management, review and operations within HHSC as a means to reduce costs and increase efficiencies of HHSC. However, such measures will not provide significant benefits or savings to HHSC, due to several factors:

- The nature and size of the operations of the facilities within HHSC are not similar. Maui Memorial Medical Center is a 200 bed acute hospital, while the facilities on Kauai, East Hawaii and West Hawaii are smaller hospitals, with different services, needs and benefits. Additionally, the facilities on Oahu primarily provide long term care services. Therefore, the economies of scale anticipated to be enjoyed by combining these services will not be provided, due to their differing needs, operations and skillsets.
- The consolidation will not resolve issues such as Physician and nurse shortages, recruitment difficulties and pay
- The consolidation will eliminate each region's ability to focus and plan for the future needs of their unique facilities and communities .

- While the creating of supplemental bargaining agreements within HHSC will provide benefits to hospital staffing and recruiting, such benefits will be offset by the consolidation of operations away from the neighbor island facilities.
- The provisions of the bill which provide operational flexibility to HHSC, such providing the opportunity to mortgage or sale assets are beneficial, but do not provide adequate improvements to HHSC to overcome the debilitating losses which are forecast for FY 2016 and beyond.

I believe the issue of how to improve the operations of HHSC were previously studied and the results of such study, as stated in the Stroudwater Report in 2009, clearly indicated that the Regions should be allowed to explore and develop a public-private partnership to provide the flexibility, access to capital and operational expertise has been determined. I believe seeking to solve the fiscal problems faced by HHSC by consolidating operations will not provide significant costs savings, and negatively impact the quality and extent of services provided to the communities served by HHSC. HB 1112 HD2 will not improve physician recruitment on the neighbor islands, will not provide market wages to the nurses and staff at the HHSC facilities, nor will it allow the communities to plan and support the needs of their specific communities. I believe the existing Regional Boards, with members who are community leaders, physicians and professionals have been working on these issues for the past several years, best understand the local issues facing these unique communities, and should be continued to direct and manage the health care being provided on their respective islands.

Thank you for allowing me to submit testimony. Your support of **returning HB 1112, HD 2 to its original form, eliminating the consolidation of the regional boards, but retaining the supplemental bargaining agreements for HHSC employees, and other operational flexibilities provided under HB 1112 HD 2.** would be greatly appreciated.

Respectfully submitted.

R. Clay Sutherland, Maui Regional Board

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 27, 2015 1:38 PM
To: FINTestimony
Cc: salerin@aol.com
Subject: *Submitted testimony for HB1112 on Feb 27, 2015 15:00PM

LATE

HB1112

Submitted on: 2/27/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Erin M Diaz, RN	Individual	Oppose	No

Comments:

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LATE

February 25, 2015

Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair

Friday February 25, 2015
3:00 PM
Conference Room 308
State Capitol
415 South Beretania Street

House Bill 1112 HD2
Testimony in opposition

I am writing in strong opposition to HB1112, HD2, a bill to re consolidate HHSC operational administration and oversight by eliminating regional boards. My name is Nicole Apoliona, MD. I am a graduate of the UH Family Medicine Residency and an assistant clinical professor in the Department of Family Medicine at JABSOM. I have been practicing family medicine on Maui for 17 years and have been the medical director at Kula Hospital and Clinic for 6 years.

Abolishing the Regional boards of HHSC and re consolidating operational administration in Honolulu is a step backwards for rural health in our island state. The healthcare needs of the neighbor islands where nearly all hospital care is delivered by HHSC facilities are vastly different from the healthcare needs and environment of Oahu. Administrators and managers based in Honolulu cannot possibly understand and respond as quickly or effectively to issues and needs of facilities on the neighbor islands as administrators and managers who are living the realities of that healthcare environment. From a neighbor island resident perspective, abolishing Regional boards and establishing a Honolulu based Board with 11 of 13 members appointed by the Governor is an unwanted Honolulu power grab.

From my perspective as manager and clinician the economies of scale and efficiencies touted in this bill do not exist. All the inefficiencies and bureaucracy of being a state agency will still exist and this bill does nothing to alleviate that. The HHSC Regions already participate in group contracts and share best practices under HHSC corporate management.

Establishing new bargaining units under the existing state public unions is too little too late. In each of the last 2 years when the Maui Region supported legislation to enable a private public partnership for Maui and HHSC, the hospital administration and even the physicians discussed with union leadership the need to restructure collective bargaining agreements to align with the 24/7 census driven hospital

business. No changes or discussion about this ensued until this year when financial shortfalls have reached crisis levels and after legislation to enable a private public partnership was again introduced and supported by a strong local private nonprofit partner.

The measures suggested in HB1112 HD2 amount to rearranging the deck chairs on the Titanic. HB1112 HD2 will further impair our ability to respond to the healthcare needs of our neighbor island communities and strip local power and control and send it to Honolulu. It will not provide significant efficiencies and economies of scale. It will not provide a path to a sustainable quality healthcare system on Maui. I urge you to defer HB1112HD2.

Respectfully submitted,

Nicole Apoliona, M.D.
Medical Director, Kula Hospital and Clinic, Maui



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

LATE

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair

February 27, 2015
Conference Room 308
3:00 p.m.
Hawaii State Capitol

Testimony Making Comments on House Bill 1112, HD2, Relating to the Hawaii Health Systems Corporation

Linda Rosen, M.D., M.P.H.
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 on HB 1112, HD2. HB 1112, HD2, contains three major provisions: 1) the elimination of the regional system boards 2) the authority for HHSC to mortgage its property in order to borrow much needed capital funding, and 3) creation of 7 new collective bargaining units for the various types of HHSC employees. While HHSC has concerns about the elimination of the regional system boards, we support the remaining two provisions.

This measure removes the Regional Boards and places all authority and decision making with the Corporate Board. While this is likely meant to produce improvements in efficiency and accountability, there are potentially adverse disruptive consequences that should be considered. We respectfully request the opportunity for further discussion regarding HHSC function and governance rather than a wholesale removal of the current structure.

As one of largest public health care providers in the nation, HHSC maintains 24/7 acute and long term care facilities across the state. Currently, the bargaining units that encompass HHSC employees also include employees from numerous other state agencies. While HHSC does have authority to negotiate specific memorandums of understanding, under the current system, HHSC has not been able to effectively address key issues that affect our cost of doing business.

BACKGROUND ON MORTGAGE RESTRICTION:

Hawaii Revised Statutes 323F-7(c)(17) states "...provided further that other than to secure revenue bonds and related obligations and agents, and to transition into a new entity, **the corporation or any regional system board shall not sell, assign, lease, hypothecate, mortgage, pledge, give, or dispose of all or substantially all of its property**; and provided further that each regional system board shall be responsible for conducting the activities under this paragraph in its own regional system, and control over such property shall be delegated to each regional system board; provided further that this paragraph shall not be construed to authorize the sale, pledge, or mortgage of real property under the control of the corporation or a regional system board."

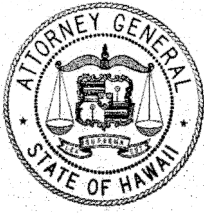
HHSC respectfully requests that the Legislature remove this restriction. HHSC understands that the Legislature's ability to provide capital improvements to HHSC is limited. Removing the mortgage restriction would allow HHSC to access capital in the private financing markets, which would allow HHSC to develop new service lines that could result in decreased need for state subsidy while, at the same time, providing value-added healthcare services to the communities that HHSC serves. This would also allow HHSC to maintain its buildings and medical equipment in good working order without having to rely on continuing CIP appropriations from the State of Hawaii. Finally, this mortgage restriction would hamper some of the master planning efforts going on at some of the regions, particularly those looking to find private development to replace aging facilities.

BACKGROUND ON MUNICIPAL LEASING LIMITS

Hawaii Revised States 323F-7(d) states, "Each regional system board shall not be subject to chapters 36 to 38, 40, 41D, and 103D as well as part I of chapter 92 and shall enjoy the exemptions contained in sections 102-2 and 103-53(e), except as otherwise provided in this chapter. The corporation shall not be subject to chapters 36 to 38, 40, and 41D, as well as part I of chapter 92, and shall enjoy the exemptions contained in sections 102-2 and 103-53(e); provided that the exemption provided under this subsection to chapter 37D shall only apply to financing agreements of \$5,000,000 or less; **provided further that the aggregate value of financing agreements per fiscal year shall not exceed \$25,000,000.**"

HHSC is not clear whether the limit placed on financing arrangements was meant to be \$25,000,000 for the entire corporation or for each region. HHSC respectfully requests that this section be clarified to state explicitly that the limit on financing arrangements of \$25,000,000 applies to each region, and not to the corporation as a whole.

Thank you for the opportunity to testify.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2015**

ON THE FOLLOWING MEASURE:

H.B. NO. 1112, H.D. 2, RELATING TO THE HAWAII HEALTH SYSTEMS CORPORATION.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

LATE

DATE: Friday, February 27, 2015

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Russell A. Suzuki, Attorney General, or
Andrea J. Armitage, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General provides the following comments on this bill.

Part I of this measure contains provisions that repeal the regional system boards to centralize all functions within the Hawaii Health Systems Corporation (HHSC) for the purpose of creating greater efficiencies. It reduces the number of members of the HHSC board from eighteen to thirteen members, and amends the requirements relating to the composition of the board. It also lifts the prohibition on HHSC being able to mortgage its real property assets and clarifies that the \$25,000,000 annual limit on municipal leases applies per region. Part II of the measure amends section 89-6 (d), Hawaii Revised Statutes (HRS), to provide for negotiation of supplemental bargaining agreements for employees of HHSC within existing bargaining units, to be approved concurrently with any master bargaining agreement. Finally, part III of the bill, among other general provisions, provides for the rights of employees who are transferred from the regional systems to HHSC.

1. Change in composition of the HHSC board.

The proposed amendments to section 323F-3, HRS, change the composition of the HHSC board; see page 7, line 5, through page 14, line 9. Specifically, the bill reduces the number of board members from eighteen to thirteen, on page 7, line 6, and sets requirements for their selection. We recommend that a section be added to the bill that specifies how the HHSC board will be transitioned from its current composition to the new composition provided for in this bill.

We recommend that the bill provide that the current board remain in place after the effective date of the bill for up to three months, giving the Governor an opportunity to appoint new members.

2. Amendment to enable HHSC to negotiate supplemental bargaining agreements.

The amendment to section 89-6(d), HRS, proposed in this H.D. 2 (page 76, lines 10-17) would be confusing, because it adds a paragraph relating to supplemental agreements to the section in the collective bargaining statute relating to the master collective bargaining agreements. It is section 89-6(e), HRS, that pertains to supplemental agreements. However, chapter 89 has a specific section with respect to the negotiating authority of HHSC, in section 89-8.5, HRS. This section provides that HHSC, "may negotiate with the exclusive representative of any appropriate bargaining unit and execute memorandums of understanding for employees under its control to alter any existing or new collective bargaining agreement on any item or items subject to section 89-9." The purpose of part II of this measure is to amend the collective bargaining statute to allow HHSC to have "[t]he ability to negotiate collective bargaining agreements that address the wages, hours, and working conditions of its employees [to] allow the Hawaii health systems corporation to expeditiously respond to and address the unique issues inherent in its hospital operations, including census, acuity, process improvement, and most importantly, quality patient care." Page 74, line 16, through page 75, line 2. Despite the existence of section 89-8.5, HRS, this purpose has not been realized. We believe it may be because the term "memorandums of agreement" in section 89-8.5 is not otherwise used in chapter 89, and appears to be no different than the term "supplemental agreements" provided in section 89-6(e). Further, there is no mandate for the employee representatives to negotiate these memoradums of understanding.

If this Committee intends to authorize HHSC to negotiate its own collective bargaining agreements, then we recommend the following amendment to section 89-8.5, HRS:

§89-8.5 Negotiating authority; Hawaii health systems corporation.

Notwithstanding any law to the contrary, including section 89-6(d), the Hawaii health systems corporation or any of the regional boards, as a sole employer negotiator, may negotiate with the exclusive representative of any appropriate bargaining unit and execute ~~[memorandums of understanding]~~ its own collective bargaining agreement that is a mandatory subject of collective bargaining for employees under its control [to alter any existing or new collective bargaining agreement on any item or items subject to section 89-9].

The bill makes other amendments to section 89-8.5, in section 3 of the measure on page 4, line 17, through page 5, line 4, therefore we also suggest that these two provisions be consolidated.

We respectfully request that the Committee consider our comments.

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 26, 2015 10:01 PM
To: FINTestimony
Cc: mike@middlesworth.com
Subject: Submitted testimony for HB1112 on Feb 27, 2015 15:00PM



HB1112

Submitted on: 2/26/2015

Testimony for FIN on Feb 27, 2015 15:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Middlesworth	Individual	Oppose	No

Comments: This measure would essentially return the HHSC hospitals to their statue prior to the formation of HHSC, with a single board managing them. They are much different one from another and need to be managed by regional boards.

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

LATE

The Twenty-Eighth Legislature, State of Hawaii
House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association
February 27, 2015

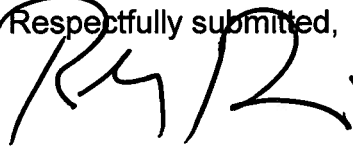
H.B. 1112, H.D. 2 – RELATING TO THE
HAWAII HEALTH SYSTEMS CORPORATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 1112, H.D. 2 which recentralizes the Hawaii Health Systems Corporation and provides for the Auditor to complete a full financial and management audit of the System, however we respectfully request that Section II of the measure, which mandates supplemental agreements for bargaining units with HHSC employees, be deleted in its entirety.

Recentralization and completion of an independently assessed audit must be the first critical steps taken prior to any consideration of privatizing the system. The Legislature must ensure that the system is prudently spending its appropriated funds and must accurately assess the HHSC's current financial state. We raise serious reservations and grave concerns over proposed legislation to rapidly privatize the safety net hospital system: it's a risky and dangerous proposition, which may cause irreversible harm to our community.

We raise grave concerns over the constitutionality of Section II of H.B. 1112, H.D. 2, which mandates supplemental agreements for bargaining units 1, 2, 3, 4, 9, 10 and 13. It is unconstitutional for the Legislature to statutorily interfere and demand that the Employer and the Exclusive Representatives negotiate. There is nothing that precludes the HHSC from currently negotiating supplemental agreements to any master contract; similarly, there should not be statutory language that mandates or binds approving supplemental agreements concurrently with a master agreement.

Thank you for the opportunity to provide testimony H.B. 1112, H.D. 2, with the request to remove Section II of the bill.

Respectfully submitted,


Randy Perreira
Executive Director

COMMITTEE ON FINANCE

Rep. Sylvia Luke, Chair
Rep. Scott Y. Nishimoto, Vice Chair



DATE: Friday, February 27, 2015
TIME: 3:00 PM
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

House Bill 1112 HD2
TESTIMONY IN OPPOSITION

Chair Luke and Vice Chair Nishimoto,

Thank you for the opportunity to provide testimony in opposition of HB 1112 HD2.

My name is Karen Worthington. I am a parent and children's policy attorney who lives in Kula, Hawaii, just a few miles from Kula Hospital. I urge you to oppose HB1112 HD2.

The issue of appropriate, sustainable health care for residents of Maui and all of Hawaii is important to my family and me, and has vast impacts that extend far beyond Maui County. Access to quality health care services is a strong consideration for many families when deciding whether to remain on Maui, or to move here.

Abolishing the Regional boards of HHSC and consolidating operational administration in Honolulu will create unnecessary barriers to Maui County's ability to best serve the health care needs of Maui residents and visitors.

I urge you not to pass HB1112 HD2. This bill would further impair Maui County's ability to respond to the healthcare needs of our neighbor island communities and strip local power and control away from those who know our community's needs and resources. Please oppose HB1112 HD2 and instead, work to provide Maui residents with access to a sustainable healthcare system.

Sincerely,



Karen Worthington, JD
66 Puakea Place
Kula, HI 96790