



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

*"Quality Healthcare For All"*

**House Committee on Health**  
**Representative Della Au Belatti, Chair**  
**Representative Richard P. Creagan, Vice Chair**

**Rep. Mark J. Hashem**  
**Rep. Jo Jordan**  
**Rep. Bertrand Kobayashi**  
**Rep. Dee Morikawa**

**Rep. Marcus R. Oshiro**  
**Rep. Beth Fukumoto Chang**  
**Rep. Andria P. L. Tupola**

February 6, 2015  
Conference Room 329  
8:40 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 1112, Relating to the Hawaii Health Systems Corporation**

Linda Rosen, M.D., M.P.H.  
Chief Executive Officer  
Hawaii Health Systems Corporation

The HHSC Corporate Board **supports** the option of partnerships with private non-profit healthcare systems to address the challenges HHSC hospitals face in continuing to provide vital healthcare services throughout the state, while striving to reduce taxpayer subsidies. The involvement of a private non-profit entity has been identified and recommended by several previous studies, including the requested report to the Legislature delivered in 2010 by Stroudwater Associates.

Healthcare today is a very specialized, complex and rapidly changing business. Federal, state and private health insurance providers strive to reduce spending on healthcare; in particular, expensive hospital costs. This is an environment where maintaining revenue is difficult, and increasing revenue is particularly challenging. Operators of healthcare facilities face constant pressure to provide higher quality care and customer satisfaction at lower cost (the triple aim). Investments in specific areas such as health information technology, physician networks, quality improvement, supply chain management, and expertise in revenue cycle maximization are essential. Hawaii non-profit healthcare providers have already invested substantially in this new paradigm. HHSC facilities can benefit from partners who can accelerate access to these investments and also greater economies of scale.

HHSC is proud to represent state funded facilities that provide essential healthcare services across the state. But it is recognized that to continue to provide healthcare under a government model as we do today may be unnecessary. Neighbor island communities and our facilities are attracting the interest of private non-profit healthcare systems looking for larger markets and economies of scale. Allowing experts in the healthcare industry to assume more of the responsibility for healthcare in our state can allow precious government dollars to be spent for other needed services. Support of this measure can optimize access to high quality healthcare services and thus contribute to the general economic growth of our state.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 05, 2015 10:45 AM  
To: HLTtestimony  
Cc: smcfarland@hhsc.org  
Subject: Submitted testimony for HB1112 on Feb 6, 2015 08:40AM

**HB1112**

Submitted on: 2/5/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott McFarland	Individual	Support	Yes

Comments: As a Regional CEO within the HHSC System, I support the option of partnerships with private non-profit healthcare systems to address the challenges HHSC hospitals face in continuing to provide vital healthcare services throughout the state, while striving to reduce taxpayer subsidies. The involvement of a private non-profit entity has been identified and recommended by several previous studies, including the requested report to the Legislature delivered in 2010 by Stroudwater Associates. Healthcare today is a very specialized, complex and rapidly changing business. Federal, state and private health insurance providers strive to reduce spending on healthcare; in particular, expensive hospital costs. This is an environment where maintaining revenue is difficult, and increasing revenue is particularly challenging. Operators of healthcare facilities face constant pressure to provide higher quality care and customer satisfaction at lower cost (the triple aim). Investments in specific areas such as health information technology, physician networks, quality improvement, supply chain management, and expertise in revenue cycle maximization are essential. Hawaii non-profit healthcare providers have already invested substantially in this new paradigm. HHSC facilities can benefit from partners who can accelerate access to these investments and also greater economies of scale. HHSC is proud to represent state funded facilities that provide essential healthcare services across the state. But it is recognized that to continue to provide healthcare under a government model as we do today may be unnecessary. Neighbor island communities and our facilities are attracting the interest of private non-profit healthcare systems looking for larger markets and economies of scale. Allowing experts in the healthcare industry to assume more of the responsibility for healthcare in our state can allow precious government dollars to be spent for other needed services. Support of this measure can optimize access to high quality healthcare services and thus contribute to the general economic growth of our state. Thank you for the opportunity to testify.

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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From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 05, 2015 9:18 AM  
To: HLTtestimony  
Cc: cvancamp3@hawaii.rr.com  
Subject: Submitted testimony for HB1112 on Feb 6, 2015 08:40AM

**HB1112**

Submitted on: 2/5/2015

Testimony for HLT on Feb 6, 2015 08:40AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Carol A. VanCamp	Chair, HHSC Corporate Board	Support	No

Comments: We support the intent of this bill to allow our regions to pursue public/private partnerships, as they know best the healthcare needs of their communities. We will be monitoring the details in the bill to ensure that they do not have a negative impact on the rest of our regions or our employees and that access to quality healthcare in the communities we serve is protected.

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February 5, 2015

**TO: House Committee on Health  
Della Au Belatti, Chair  
Richard P. Creagan, Vice Chair  
Honorable Members of the Committee**

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

**Date: Friday, February 6, 2015  
Time: 8:40 a.m.  
Place: Conference Room 329  
State Capitol  
415 South Beretania Street**

**FROM: West Hawaii Regional BOD, Strategic Planning Committee**

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

Thank you for the opportunity to submit testimony in **SUPPORT of HB 1112.**

The purpose of this bill is to establish a process for determining whether the health care services provided by the Hawaii Health Systems Corporation or one or more of its regional health care systems can be delivered more cost-effectively by partnering with a private health care management system.

In the face of reduced reimbursements for health care services and rising costs, the current state model of healthcare organization is not sustainable. This bill would allow any of the HHSC Regions, or the HHSC system as a whole, to enter a public/private partnership in order to develop a sustainable model of health care delivery that that will lower costs and improve the overall quality of services to the community.

Thank you for allowing me to submit testimony. Your support is greatly appreciated.

Respectfully submitted,

  
Joel E. Gimpel, Secretary / Treasurer  
West Hawaii Regional Board of Directors

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HEALTH  
ON  
HOUSE BILL NOS. 1075, 1112, 1145, 1146, 1254, AND 1420

February 6, 2015

RELATING TO HAWAII HEALTH SYSTEMS CORPORATION

The following measures on this agenda all attempt to address in various different ways the issue of facilitating sustainability of the Hawaii Health Systems Corporation (HHSC):

- House Bill (H.B.) No. 1075 authorizes the Maui Regional System to enter into an agreement with a private entity to transition one or more of its facilities into a new private Hawaii nonprofit corporation.
- H.B. No. 1112 establishes a process for determining whether the health care services provided by HHSC, or one or more of its regional health care systems, can be delivered more cost-effectively by partnering with a private health care management system.
- H.B. No. 1420 repeals the regional system boards of HHSC and increases the size of the HHSC board and changes its composition.
- H.B. No. 1254 repeals HHSC and re-establishes the Division of Community Hospitals under the Department of Health.
- H.B. No. 1146 creates seven separate collective bargaining units for employees of HHSC.
- H.B. No. 1145 authorizes HHSC to mortgage its real property and clarifies the dollar cap on municipal leasing authority.

The Department of Budget and Finance supports the general intent of transitioning HHSC into “a more economically efficient system of health care delivery.” The issues involved in facilitating HHSC sustainability are complex and multifaceted. For this reason, we would recommend moving all of these bills along to enable further discussion and deliberation.

The Ige Administration will work with the applicable committees during the course of this session to attempt to develop a realistic and workable framework for moving forward to ensure that vital health care services will be provided either through a restructured HHSC or some other appropriate entity.



# Chamber of Commerce HAWAII

*The Voice of Business*

**Testimony to the House Committee on Health  
Friday, February 6, 2015 at 8:40 A.M.  
Conference Room 329, State Capitol**

**RE: HOUSE BILL 1112 RELATING TO THE HAWAII HEALTH SYSTEMS  
CORPORATION**

Chair Belatti, Vice Chair Creagan, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 1112, which establishes a process for determining whether the health care services provided by the Hawaii Health Systems Corporation or one or more of its regional health care systems can be delivered more cost-effectively by partnering with a private health care management system.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber supports HB 1112 as it would continue the discussion of public-private partnerships in Hawaii. We are hopeful that the possibility of an agreement between any Hawaii Health Systems facility and a private entity would increase efficiency in government services and benefits of healthcare to residents of the state.

Thank you for the opportunity to testify.





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

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

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

**Testimony by  
Hawaii Government Employees Association  
February 6, 2015**

**H.B. 1075, H.B. 1112, H.B. 1420, H.B. 1254 –  
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. 1420 which recentralizes the Hawaii Health Systems Corporation and provides for the Auditor to complete a full financial and management audit of the System. These initial steps are critical and vitally important in accurately assessing the HHSC's current financial state and ensuring that appropriated funds are being prudently spent. The full financial and management picture must be thoroughly and independently assessed prior to the Legislature acting on any of the other aforementioned bills, H.B. 1075, H.B. 1112, and H.B. 1254, which authorizes privatization, establishes a process to determine if the System should privatize, and reestablishes the division of community hospitals under the Department of Health, respectively.

We raise serious reservations and grave concerns over proposed legislation to rapidly privatize the safety net hospital system: it is a risky and dangerous proposition, which may cause irreversible harm to our community. It is unrealistic to believe that Maui County's population of 144,000 residents can sustain similar utilization as Oahu's population of 953,000, without an exorbitant and perpetual state subsidy, a severe reduction of services, or a combination of both. Any type of private acquisition will rely heavily on tax payers' dollars to support the System, while the Legislature relinquishes its oversight on how those tax dollars are spent and cannot guarantee that the private operator remain.

Advancing legislation that enables privatization, without fully assessing the System's financial and management situation is premature. We respectfully implore the Legislature to judiciously complete its due diligence, ensure satisfactory answers to all of its questions, and exhaust every avenue prior to fracturing and selling a portion of the state's assets. We cannot afford any lesser degree of scrutiny or the potential of a failed experiment when it comes to delivering critical safety net services.

Thank you for the opportunity to provide testimony on the aforementioned bills.

Respectfully submitted,

Randy Perreira  
Executive Director

The Twenty-Eighth Legislature  
Regular Session of 2015

HOUSE OF REPRESENTATIVES  
Committee on Health  
Rep. Della Au Belatti, Chair  
Rep. Richard P. Creagan, Vice Chair  
State Capitol, Conference Room 329  
Friday, February 6, 2015; 8:40 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1112  
RELATING TO HAWAII HEALTH SYSTEMS CORPORATION**

The ILWU Local 142 supports H.B. 1112, which establishes a process for determining whether the health care services provided by the Hawaii Health Systems Corporation or one or more of its regional health care systems can be delivered more cost-effectively by partnering with a private health care management system.

Due to the budget shortfalls that occur year after year, Hawaii Health Systems Corporation (HHSC) must continually appeal to the State Legislature for appropriations. Yet each year, appropriations fall short of requests, leaving HHSC with huge deficits that must be addressed by cuts in services and personnel.

Clearly, full state funding would be the answer, but without an infusion of huge amounts of revenue, the Legislature cannot fully fund HHSC's budget requests. That is why HHSC has considered a partnership with a private entity that would lease the facilities, operate the hospitals, provide for capital improvements and other upgrades, and allow the hospitals to become (more or less) self-sustaining. State subsidies may still be needed, but the hope is that such subsidies will be substantially reduced. However, state subsidies will likely be required for a long time to come simply because of the nature of the business—i.e., hospitals operating in small rural areas, with populations unable to support even a small emergency room; hospitals providing long-term care to patients unable to afford astronomical fees and forced to rely on Medicaid with its low reimbursement rates.

H.B. 1112 proposes to establish a process to determine if a solution for HHSC lies in partnering with a private entity, presumably one with greater resources and capacity to institute cost-containment initiatives and consider new services that could generate income. This process should include serious dialogue with the collective bargaining representatives of the employees who will be directly affected.

The ILWU urges passage of H.B. 1112. Thank you for the opportunity to share our views and concerns.