



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

"Quality Healthcare For All"

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

Testimony Supporting House Bill 1145, 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 in **support** of House Bill 494, Making an Emergency Appropriation to the Hawaii Health Systems Corporation.

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 before this committee. We would respectfully recommend the Committee's support of this measure.

creagan3 - Karina

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 05, 2015 10:52 AM
To: HLTtestimony
Cc: smcfarland@hhsc.org
Subject: *Submitted testimony for HB1145 on Feb 6, 2015 08:40AM*

HB1145

Submitted on: 2/5/2015

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

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

Comments:

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HB1145

Submitted on: 2/4/2015

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

Submitted By	Organization	Testifier Position	Present at Hearing
pat gegen	Kauai Regional Board - HHSC	Support	No

Comments: The Kauai Regional Board supports HB1145 AS LONG AS the regional boards remain as the custodians of the property in their region. If the powers and duties of the Regional Boards are diminished or abolished we have serious concerns regarding these mortgaging powers.

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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.