

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HEALTH
ON
SENATE BILL NO. 294

February 4, 2015

MAKING AN EMERGENCY APPROPRIATION TO THE HAWAII HEALTH
SYSTEMS CORPORATION

Senate Bill No. 294 states that this Act is recommended by the Governor for immediate passage in accordance with Article VII, Section 9, of the Constitution of the State of Hawaii.

We would like to point out that only the Governor can make a recommendation for immediate passage of a specific appropriation bill. It is our understanding that no recommendation has been made for this bill by the Governor as yet.

From: mailinglist@capitol.hawaii.gov
To: [HTHTestimony](#)
Cc: deborah.stone-walls@co.maui.hi.us
Subject: Submitted testimony for SB294 on Feb 4, 2015 13:15PM
Date: Monday, February 02, 2015 1:30:42 PM

SB294

Submitted on: 2/2/2015

Testimony for HTH on Feb 4, 2015 13:15PM in Conference Room CR414

| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|-----------------------------|---------------------------|---------------------------|
| Deborah Stone-Walls | Maui County Office on Aging | Support | No |

Comments: The on-island presence of a viable hospital facility is imperative to the ongoing health and well-being of the seniors and family caregivers of Maui County.

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

"Quality Healthcare For All"

**Senate Committee on Health
Senator Josh Green, Chair
Senator Glenn Wakai, Vice Chair**

February 4, 2015
Conference Room 414
1:15 p.m.
Hawaii State Capitol

**Testimony Strongly Supporting Senate Bill 294, Making an Emergency
Appropriation to the Hawaii Health Systems Corporation.**

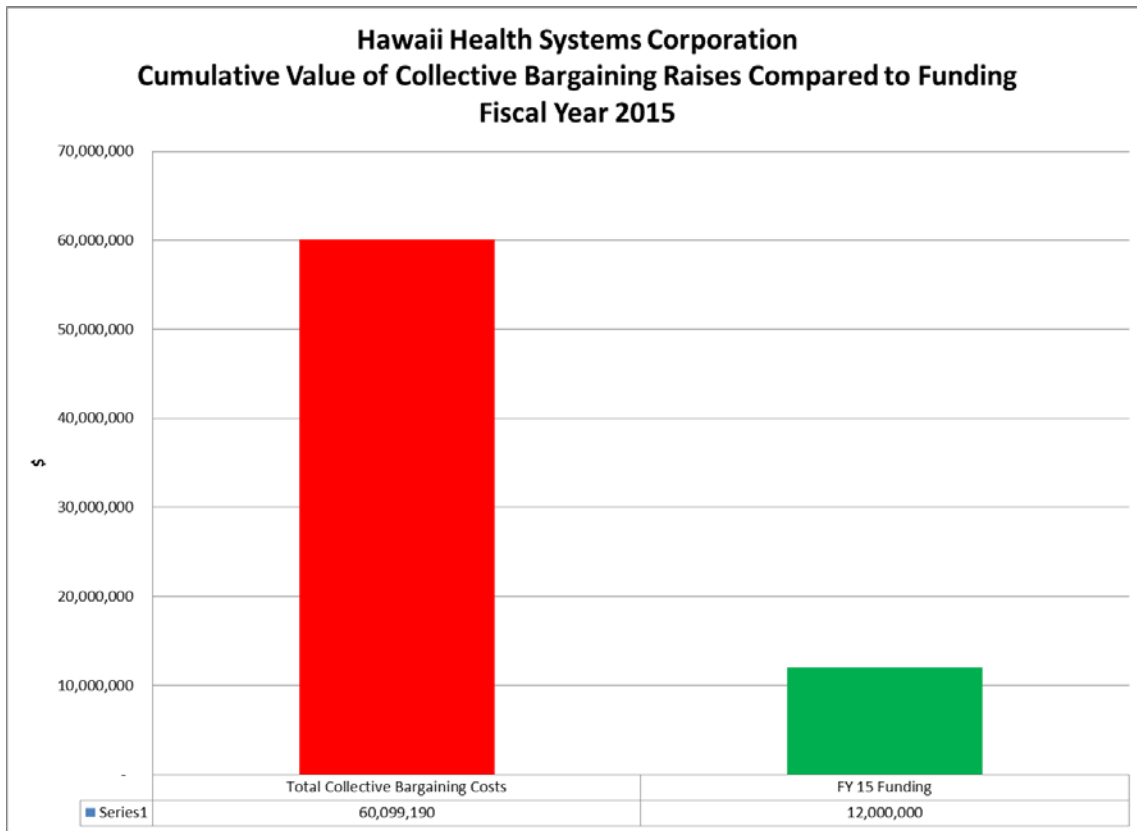
Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in **strong support** of Senate Bill 294, Making an Emergency Appropriation to the Hawaii Health Systems Corporation.

BACKGROUND:

This year has been very challenging year for HHSC (and all other healthcare systems in Hawaii) financially. HHSC began fiscal year 2015 with only 30 days cash on hand with approximately 65 days in accounts payable, which is a very precarious liquidity position for any business.

During fiscal year 2015, HHSC has been forced to absorb approximately \$48 million in unfunded collective bargaining raises which were negotiated by the Administration on HHSC's behalf. The cumulative total costs of these raises are approximately \$60 million, and the total general fund appropriations provided for these raises was only \$12 million, as shown in the chart below.



Exacerbating the problem was the 10% general fund restriction imposed by the Administration on September 2, 2014 via Executive Memorandum 14-06. This reduced HHSC's total general fund appropriations in fiscal year 2015 from \$91,440,000 as appropriated by the Legislature to \$82,296,000. HHSC appealed to the Governor to have the restriction released, but this request was returned to HHSC without action on December 8, 2014.

Anticipating that the State would have insufficient funds to fully fund the system, HHSC began a rigorous budgeting exercise for fiscal year 2015 which began in February 2014 and is continuing to be refined and reevaluated even now. The first draft of HHSC's fiscal year 2015 resulted in a \$48 million cash flow deficit, which was roughly equal to the amount of underfunding for the collective bargaining pay raises. Throughout the Legislative Session and summer, HHSC management worked to find savings to reduce the deficit, and through approximately \$9 million in updated operating results and other federal reimbursement changes and \$17 million in contingency plan cuts (including service closures and reductions in force), management had managed to reduce the cash flow deficit to approximately \$22 million.

ACTIONS TAKEN:

To deal with this deficit, HHSC began implementing its contingency plans, including a first round of reduction-in-force actions that resulted in the elimination of 109 vacant positions and 33 filled positions, the closure of Maui Memorial's adolescent psych unit, hiring freezes, and aggressive pursuit of attrition savings. In fact, HHSC's facilities were

able to achieve even more savings than what was initially predicted through tough recent commercial payor negotiations, aggressively saving through attrition, and not filling budgeted positions. The final number that HHSC would need as an emergency appropriation is still being reviewed as the Administration still has not received an official communication regarding any lifting of the general fund restriction imposed in September 2014.

CONCLUSION

In summary, HHSC strongly supports this bill to provide much needed emergency appropriation funds to the vulnerable population it serves. HHSC would like the opportunity to refine its final request and present a better estimate to this committee as the Legislature moves forward.

The consequence of not receiving this emergency appropriation is that two of HHSC's twelve facilities will run out of funds to pay payroll and accounts payable before the end of fiscal year 2015, and several other facilities will be placed in an extremely perilous liquidity position to end the fiscal year.

Thank you for the opportunity to testify before this committee.

From: mailinglist@capitol.hawaii.gov
To: [HTHTestimony](#)
Cc: psgegen@hotmail.com
Subject: Submitted testimony for SB294 on Feb 4, 2015 13:15PM
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SB294

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| Submitted By | Organization | Testifier Position | Present at Hearing |
|---------------------|---------------------|---------------------------|---------------------------|
| pat gegen | Individual | Support | No |

Comments: Aloha, I am currently the Chair for the HHSC Kauai Region. I support passage of SB294. I am sure you are all aware of the difficulties Hospitals across the country are having with declining payments from Medicare / Medicaid and for us in Hawaii this is exacerbated by having generous increases in our payroll that were negotiated by the governor without addressing any efficiencies we could be making in scheduling and more flexible work rules. I assure you that the Kauai Region of HHSC is taking bold moves to improve and streamline our performance - unfortunately not all improvements have immediate financial results so your assistance is still needed at this time. We are striving to minimize our needs for additional assistance as we move forward. Thank You, Pat Gegen

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