



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

"Touching Lives Everyday"

**House Committee on Health
Representative Della Au Belatti, Chair
Representative Dee Morikawa, Vice Chair**

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

Testimony Supporting the Intent of Senate Bill 531, 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 the intent** of Senate Bill 531, Relating to the Hawaii Health Systems Corporation.

BACKGROUND ON FY 16-17 FUNDING REQUESTS:

On September 29, 2014, HHSC received budget preparation instructions from the Administration which contained the following assumptions (relating to HTH 212):

- The Administration decreased the \$102 million in general fund appropriations appropriated by the Legislature in fiscal year 2015 by removing \$12 million in collective bargaining funding and removing \$5 million in general fund appropriations, which brought the baseline general fund appropriation down to approximately \$85 million.
- Continued collective bargaining pay raises of 4% for both fiscal year 2016 and fiscal year 2017, with no general fund appropriations to pay for these raises. This amounts to an additional \$19.8 million and \$22.6 million in costs to HHSC for fiscal years 2016 and 2017, respectively.
- Increased fringe benefit rate from 42% to 52% for both fiscal year 2016 and fiscal year 2017 in order to fund the retiree health insurance costs. In the 2013 Legislative Session, Act 268 was passed which required the State to increase funding of retiree health insurance costs by 20% each year from fiscal years 2014 to 2019 until 100% of the annual required contribution is funded. The

Administration did not provide any general fund appropriations to HHSC to cover this increase in fringe benefit costs, which will cost HHSC approximately \$34.6 million in fiscal years 2016 and 2017. The difference between the fringe rate of private hospitals of 25-27% and the 52% rate the State is assessing represents approximately \$80.0 million in additional costs to HHSC annually.

CONCLUSION

In summary, HHSC supports the intent of this bill, but would prefer that the appropriations come directly to HHSC via HTH 212 rather than going through the Department of Health. HHSC believes that a direct appropriation to HHSC would be more efficient in terms of getting necessary funds to our facilities in a timely manner that supports the delivery of quality healthcare to our communities.

Thank you for the opportunity to testify before this committee.

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SB531

Submitted on: 2/3/2015

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

Submitted By	Organization	Testifier Position	Present at Hearing
Scott McFarland	HHSC Kauai Region Board of Directors	Comments Only	Yes

Comments: The HHSC Kauai Regional Board is in STRONG SUPPORT of the INTENT of SB 531 which concerns the FY2016 and FY2017 HHSC General Fund Appropriations for HHSC. The HHSC Kauai Regional Board respectfully requests the funding be DIRECTLY APPROPRIATED to HHSC, not through the Department of Health (DoH), as the draft currently suggests.

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SB531

Submitted on: 2/2/2015

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

Comments:

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