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**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**  
TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 944, S.D.1, H.D.1

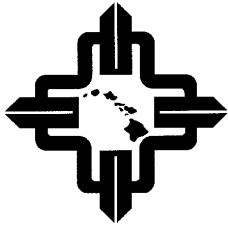
**March 30, 2017**  
**2:00 p.m.**  
**Room 308**

**MAKING AN APPROPRIATION FOR COLLECTIVE BARGAINING COST ITEMS  
RELATED TO THE TRANSITION OF MAUI REGION HOSPITALS**

The purpose of this measure is to appropriate and authorize funding for collective bargaining cost items to facilitate the smooth transition of affected Maui region hospital employees to employment with Maui Health Systems, a Kaiser Hospital, LLC.

The Department of Budget and Finance supports this measure as funding will be necessary to pay the cost items included in the supplemental agreements that have been approved by the State, Hawaii health systems corporation, and the exclusive representatives of affected Maui region employees. If all affected employees receive benefits from the agreements, our current cost estimate is \$30,637,298. Further, the payments may not occur until after the transfer date; thus, the appropriation should be made in the 2017-18 fiscal year with a lapsing date of June 30, 2018.

Thank you for your consideration of our comments.



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

*"Quality Healthcare For All"*

**House Committee on Finance**  
**Rep. Sylvia Luke, Chair**  
**Rep. Ty J.K. Cullen, Vice Chair**

March 30, 2017  
Conference Room 308  
2:00 p.m.  
Hawaii State Capitol

**Testimony Supporting the Intent of Senate Bill 944, SD1, HD1 Making an Appropriation for Collective Bargaining Cost Items Related to the Transition of Maui Region Hospitals.**

**Makes an appropriation to department of budget and finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital.**

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 **supporting the intent of SB 944, SD1, HD1** that makes an appropriation to Department of Budget and Finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Hospital.

HHSC fully supports the transfer of the operations of its Maui Region hospitals to Maui Health Systems, a Kaiser Hospital. Additionally, HHSC supports the language in this bill that the additional costs of the voluntary severance benefit and the special retirement benefit contemplated in Act 1, SSLH 2016 and in this bill be paid through a general fund appropriation to the Department of Budget and Finance. However, HHSC respectfully requests that the appropriation not diminish the amount of general fund appropriations requested by HHSC to fund the four remaining HHSC regions for fiscal years 2018 and 2019.

HHSC is currently facing a cash flow deficit in fiscal year 2017 which will leave HHSC's facilities with extremely low levels of cash on hand as compared to industry norms. HHSC is already asking for an increase in its general fund appropriation base of approximately \$36.5 million and \$34.7 million for fiscal years 2018 and 2019, respectively, just to achieve a break-even cash flow for those fiscal years. Further, the

House Draft of the State Budget (H.B. 100 H.D.1) does not provide for any of the general fund appropriation increases that HHSC has asked for, and also does not provide any operating appropriations for the Maui Health System which would be required in order for the transition of Maui Region operations to Kaiser Permanente to occur. The payment of any benefits contained in supplemental agreements that would be funded by this bill would represent additional costs to HHSC as the employer. Given the fragile financial condition that HHSC is in (which is exacerbated by the results of the H.B. 100 H.D.1), HHSC cannot afford to pay for these benefits without a general fund appropriation. Further, HHSC's priority is to make sure that the safety-net hospitals that it operates has sufficient funding to operate efficiently and effectively for this fiscal year and the next biennium of fiscal years 2018 and 2019.

Thank you for the opportunity to testify before this committee.



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

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

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

Testimony by  
Hawaii Government Employees Association

March 30, 2017

**S.B. 944, S.D. 1, H.D. 1 - MAKING AN APPROPRIATION FOR  
COLLECTIVE BARGAINING COST ITEMS  
RELATED TO THE TRANSITION OF  
MAUI REGION HOSPITALS**

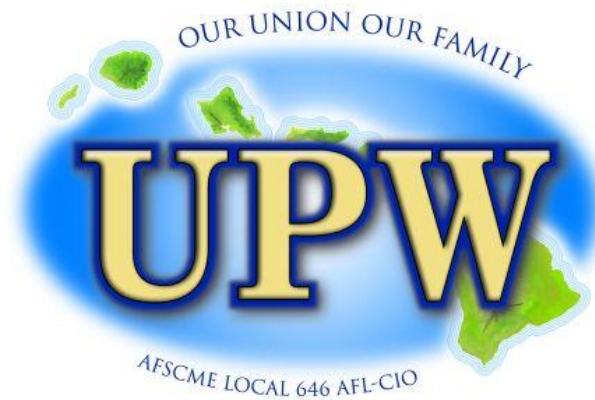
The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of S.B. 944, S.D. 1, H.D. 1 which appropriates funds for collective bargaining cost items related to the privatization of the Maui Region of the Hawaii Health Systems Corporation.

The affected employees have been in limbo regarding their employment and retirement benefits for too long. The HHSC Maui Region's transfer to Kaiser is slated to take effect on July 1, 2017 and employees deserve to know their full benefit package and options so that they can make the best decisions for themselves and their families.

Thank you for the opportunity to testify in support of passing this appropriations vehicle bill to continue this important dialogue.

Respectfully submitted,

Randy Perreira  
Executive Director



**THE HAWAII STATE HOUSE OF REPRESENTATIVES**

The Twenty-Ninth Legislature  
Regular Session of 2017

**COMMITTEE ON FINANCE**

Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen Vice Chair

DATE OF HEARING: Thursday, March 30, 2017  
TIME OF HEARING: 2:00 p.m.  
PLACE OF HEARING: State Capitol, Rm. 308  
415 South Beretania Street

**TESTIMONY ON SENATE BILL 944 SD1, HD1 MAKING AN APPROPRIATION FOR  
COLLECTIVE BARGAINING COST ITEMS RELATED TO THE TRANSITION OF  
MAUI REGION HOSPITALS**

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers,  
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represent about 1,500 members of the private sector.

SB944 SD1, HD1 makes an appropriation to the department of Budget and Finance for collective bargaining cost items related to the transition of the operation of Maui regional hospitals to Maui Health Systems, a Kaiser Foundation Hospital. This appropriation will help for a smooth transition. The UPW supports this bill and requests the committee to pass it out. Thank you for the opportunity to submit this testimony.