



Community hospitals affiliated with KAISER PERMANENTE.

February 14, 2019

Committee on Health
Representative John M. Mizuno, Chair
Representative Bertrand Kobayashi, Vice Chair
9:31 AM, Conference Room 329
Testimony of Michael Rembis, Chief Executive Officer

Aloha Chair Mizuno, Vice Chair Kobayashi and Members of the Committee:

Thank you for allowing me the opportunity to testify in SUPPORT of this important matter. Our journey, under the public-private partnership established by Act 103 for the delivery of healthcare services at the former Maui Regional System hospitals has had its challenges, but overall, it has been a fulfilling and successful journey so far. The Legislature enacted Act 103, SLH 2015 (H.B. No. 1075), codified at HRS Chapter 323F, Part IV ("Act 103"), to allow for the transfer of the operations and management of the Maui Regional System facilities to Kaiser Foundation Hospitals (KFH) through its wholly owned subsidiary, Maui Health System, A Kaiser Foundation Hospitals LLC (MHS). Act 103 also provides for operating and capital subsidies for MHS in connection of its operation of the hospitals. Under HRS §323F-58 (and in accordance with the terms of Transfer Agreement between State of Hawaii, Hawaii Health Systems Corporation (HHSC), Maui Regional Health System (MRHS) and KFH and MHS), during the term of the Transfer Agreement, MHS may request support payments for its operating costs (as defined by HRS §37-62) associated with managing and operating the hospitals in an amount not to exceed the amount appropriated for the operating costs of the Maui Regional System for the 2014 fiscal year, which was \$38 million. Under HRS §323F-59 (and in accordance with the terms of the Transfer Agreement), MHS may request support payments for its capital expenditures during the first ten (10) years of MHS' operations of the hospitals in an amount not less than \$6 million.

The last subsidy the State provided to HHSC-MRHS for the hospitals before the transition was \$36.8 million. Since the transition, even though MHS is permitted (under law and its contract with the State) to request up to \$38 million in operating subsidies each year, we were appropriated \$33.4 million for fiscal year 2018 and \$28 million for fiscal year 2019. We are requesting for the forthcoming biennial period, \$26 million for fiscal year 2020 and \$23 million for fiscal year 2021. In less than two years, MHS has been able to reduce its need for subsidies by nearly \$10 million. More importantly, these drastic savings have occurred while MHS has been able to significantly increase quality scores, manage expenses, increase revenues, and recruit much needed physicians, while each year reducing our subsidy request. This year, the Maui Health System successfully recruited two neurosurgeons, two trauma general surgeons, and the first oncological surgeon to the island of Maui. In addition, we were successful in negotiating a new contract with UNAC – its largest union employee group, including nurses and other professionals. The contract resulted in an increase in cost of \$8 million per year but we still reduced our request for subsidy from \$28 million to \$26 million, even with the additional labor costs. As part of its commitment to retaining talented local healthcare professionals, MHS was also successful in hiring new nursing graduates from the local university resulting in the employment of over a hundred nurses in the last year and a half.

While we could request more (under Act 103 and our contract with the State), we have identified the amount of the request of \$26 million for fiscal year 2020 as critical to our continued

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success to improve quality, services, and the recruitment of additional physicians to expand access to much needed specialty services within the communities of Maui and Lanai as well as increasing revenues. Each additional physician we recruit will enhance our ability to reduce future requests for subsidies, keep patients on island with their 'ohana, provide additional jobs, and enhance the services and reputation of the Maui hospitals. Without the \$26 million, our successful journey would be jeopardized at a point where we are gaining momentum in the right direction as intended by Act 103. I am happy to answer any questions you may have, and I appreciate your continued support of the Maui Health System and our mission of providing quality care in our communities of Maui and Lanai.

Mahalo for your consideration.

Michael Rembis
Chief Executive Officer

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Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments: