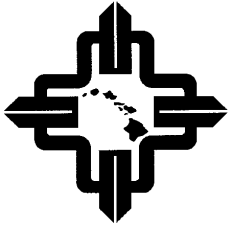


SB816

Measure Title:	RELATING TO THE DEPARTMENT OF HEALTH. General Obligation Bonds; Hawaii Health Systems Corporation; CIP; Department of Health; Appropriation (\$)
Report Title:	Authorizes the issuance of general obligation bonds and appropriates funds for improvements to facilities within the Hawaii Health Systems Corporation.
Description:	
Companion:	
Package:	None
Current Referral:	CPH, WAM
Introducer(s):	BAKER



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

"Quality Healthcare for All"

**SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION,
AND HEALTH**

**Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair**

February 1, 2019
Conference Room 229
9:30 a.m.
Hawaii State Capitol

**Testimony Supporting Senate Bill 816 Relating to the Department of Health
Authorizes the issuance of general obligation bonds and appropriates funds for
improvements to facilities within 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 SB 816 that authorizes the issuance of general obligation bonds and appropriates funds for improvements to facilities within the Hawaii Health Systems Corporation.

HHSC is appreciative of the support by the Legislature to address the urgent need for capital improvement project appropriations (CIP) to address the aging infrastructure of HHSC's facilities. However, HHSC would like to point out that the appropriation amounts contained in this bill are the amounts recommended by the Governor, and do not represent HHSC's full CIP request. The HHSC Corporate Board has approved a CIP appropriations request for \$42,365,000 in fiscal year 2020 and \$92,820,000 in fiscal year 2021 for HTH 212, HHSC – Regions. Funding HHSC's request at these levels would prevent HHSC's deferred maintenance backlog from growing.

This testimony addresses only the amounts that would go to HTH 212, HHSC – Regions. We expect Kahuku Medical Center and Maui Health Systems to provide their own testimony in support of the amounts appropriated for those entities in this bill.

Thank you for the opportunity to testify before this committee.



Community hospitals affiliated with KAISER PERMANENTE.

Committee on Commerce, Consumer Protection, and Health
Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair
9:30 AM, Conference Room 229
Testimony of Michael Rembis, Chief Executive Officer

Aloha Chair Baker, Vice Chair Chang 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 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

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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



KAHUKU MEDICAL CENTER

Kahuku Medical Center Biennium Budget Request (HTH 211)

In fiscal year 2019, Kahuku Medical Center received \$1,800,000 in general fund appropriations and no capital improvement project appropriations. Kahuku Medical Center is requesting additional general fund appropriations for fiscal year 2020 and fiscal year 2021 of \$1,600,000. These additional requests are to fund wage increases and operational needs so that Kahuku Medical Center can continue to be competitive for healthcare workers and increase revenues and operating efficiencies. They are also requesting \$3,112,000 and \$8,007,000 for fiscal years 2020 and 2021, respectively, in capital improvement project appropriations. A summary of their requests are provided Below.

HTH 211: KAHUKU MEDICAL CENTER						
Funding Type	FY 2018	FY 2019	FY 2020 Kahuku Request	FY 2021 Kahuku Request	FY 2020 Gov Rec	FY 2021 Gov Rec
General Fund Appropriations for Operations	1,800,000	1,800,000	3,400,000	3,400,000	2,800,000	2,800,000
CIP APPROPRIATIONS	1,650,000	-	3,112,000	8,007,000	1,500,000	-

**Kahuku Medical Center
Improvement/ Needs Assessment**

Priority	Description	Location	Date	Life Remaining	Description	\$	Fundin
5	Backflow Valve	C&C Property	?	0	Failed inspection	50,000	CIP,Op,
5	Backflow Valve	Outside B.O.	?	0	Failed inspection	50,000	CIP,Op,
5	Hot Water Tank	Mechanical Room	1985	0	Failed inspection	80,000	CIP,Op,
5	O2/Vacuum Panel	M/S	1975	0	Failed inspection/ Not working Properly	50,000	CIP,Op,
5	ED Overhangs	Outside ED	1975	0	Safety Hazard (Falling down)	45,000	Op,G,I
4	E- Power to Equip	Oxygen/ CT		New Project	Equipment needs E- Power	520,000	CIP,G
4	First Floor AC	First Floor	1975	0	Leaking daily/ Safety Hazard	1,000,000	CIP
4	Campbell AC	Campbell Wing	1975	0	Leaking daily/ Safety Hazard	2,000,000	CIP
4	Nurses Call System	M/S	1975	0	Failing to work properly	400,000	CIP,G
4	Backflow Valve	E.D. Closet	1985	1	Need backflow replaced (Purging)	20,000	CIP,Op,
4	RALS Server	Server Room		1	Interface w/Carner to move off HHSC net.		Op,G,I
4	Pyxis Software	M/S,ED,Pharm		1	Purchase software to move off HHSC net.		Op,G,I
3	Security Cameras	Entire campus	2009	1	Outdated/ Not working properly	15,000	Op,G,I
3	Parking lot/ Roads	Entire campus	1975	1	Need to resurface / repave	580,000	CIP
3	WOW's	M/S, ED	2010	3	(6) New work station on wheels	75,000	CIP,Op,
3	Plumbing	Rothwell	1956	3	Need to replace all original plumbing	75,000	CIP,Op,
3	Plumbing	Campbell	1975	3	Need to replace all original plumbing	75,000	CIP,Op,
3	Lighting	Parking Lots		New Project	Need to add more lighting in parking lots	80,000	CIP,Op,
3	IT Renovation	Server Room	1975	5	Renovate Server Room	125,000	CIP,Op,
3	UPS for IT	Server Room		New Project	Install commercial grade UPS for IT equip.	60,000	Op,G,L,I
3	Drop Ceiling	Rothwell		New Project	Drop ceiling for smoke detectors/ sprinklers	125,000	CIP,Op,G
3	Sigma IV Pumps	M/S, ED	2008		New IV pumps for patient medication	100,000	Op,G,I
3	Generator	Mechanical Room	2005	5	5488 total run hours	1,000,000	CIP,G
3	Electrical	Rothwell	1956	5+	Replace panels and correct labeling	75,000	Op,G,I
3	Electrical	Campbell	1975	5+	Replace panels and correct labeling	125,000	Op,G,I
3	Electrical	Plantation	1919	5+	Replace panels and correct labeling	75,000	Op,G,I
3	Fresh Water Storage	Exterior		New Project	On site fresh water storage tank	90,000	CIP,Op,
3	Concrete Slab	Shell		New Project	Pour concrete slab in Shell	35,000	CIP,Op,
2	Multiview Software	All Depts.		New Project	Purchase Multiview software	12,000	Op,L
2	Outpatient Billing Software	Pharmacy		New Project	Install outpatient Rx billing software	12,000	Op,L
2	340B Consultant	Pharmacy		New Project	Hire 340B consultant for cost savings	12,000	Op,L

2	Dietary Walk Ins	Dietary		New Project	Install Walk Ins for Dietary efficiency	50,000	CIP,Op,G
2	Computers	IT	2014	5+	Rotate 28 new computers in every yr.	18,000/yr	Op,G,L
2	Bedside Computers	M/S, ED		New Project	Install bedside computers in every room	65,000	Op,G,L
2	Server Racks	Server Room		New Project	Purchase server racks for IT equipment	25,000	Op,G,L
2	Patient Rm Reno.	M/S	1975	5+	Remodel patient rooms including decks	900,000	CIP
2	Washer/Dryer	Housekeeping		5+	Replace with commercial washer/ dryer	25,000	Op,G,L
2	Office 365	IT		New Project	Offsite to Office 365 for email and update	2,000/mo.	Op,G,L
2	AC	Rothwell		New Project	Install Split systems in Rothwell	200,000	CIP
2	Laptops	IT		New Project	Purchase (6) laptops for training classes	9,000	Op,G,L
2	Re-roof	Campbell Wing	1976	5+	Re-roof Campbell Wing	350,000	CIP
1	Tint	Facility - Wide		New Project	Install tint facility wide	100,000	Op,G,L
1	New Bumpers/ Base	Facility - Wide	2008	5+	Install new bumpers/ cove base	60,000	Op,G,L
1	Wellness Garden	Under Bridge		New Project	Create wellness garden under bridge	25,000	Op,G,L
1	Landscaping	Facility - Wide		New Project	Update landscaping throughout campus	15,000	Op,G,L
	Clinic Expansion			New Project	Expand Clinic into Plantation Wing	1,100,000	CIP
	Dialysis Center			New Project	Construct 12 bed dialysis center	4,000,000	CIP,G,L
	MRI Dept.			New Project	Construct MRI Dept.	3,000,000	CIP,G,L
	Women's Wellness Center			New Project	Construct Women's Wellness Center	5,000,000	CIP,G,L

Request Category

M- Major R&M of Existing Facilities
C- Completion of Ongoing CIP
HS- Health, Safety & Court Mandates
EE- Energy Efficiency
PI- Public Infrastructure Improvements
O- Other

Funding Source

CIP- State Funded
Op- Operations
G- Grant
L- Loan
LS- Lease
TF- Trauma Funds