

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

*"Quality Healthcare For All"*

**HOUSE COMMITTEE ON HEALTH**

Rep. John M. Mizuno, Chair

Rep. Bertrand Kobayashi, Vice Chair

February 12, 2019  
Conference Room 329  
9:00 a.m.  
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 1421 Relating to the Department of Health Budget**  
**Appropriates funds for the fiscal biennium 2019-2021 operating budget of Kahuku Hospital (HTH211) and Hawaii Health Systems Corporation - Regions (HTH212) under the purview of the House of Representatives Standing Committee on Health.**

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 HB 1421 that appropriates funds for the fiscal biennium 2019-2021 operating budget of Kahuku Hospital (HTH211) and Hawaii Health Systems Corporation - Regions (HTH212) under the purview of the House of Representatives Standing Committee on Health.

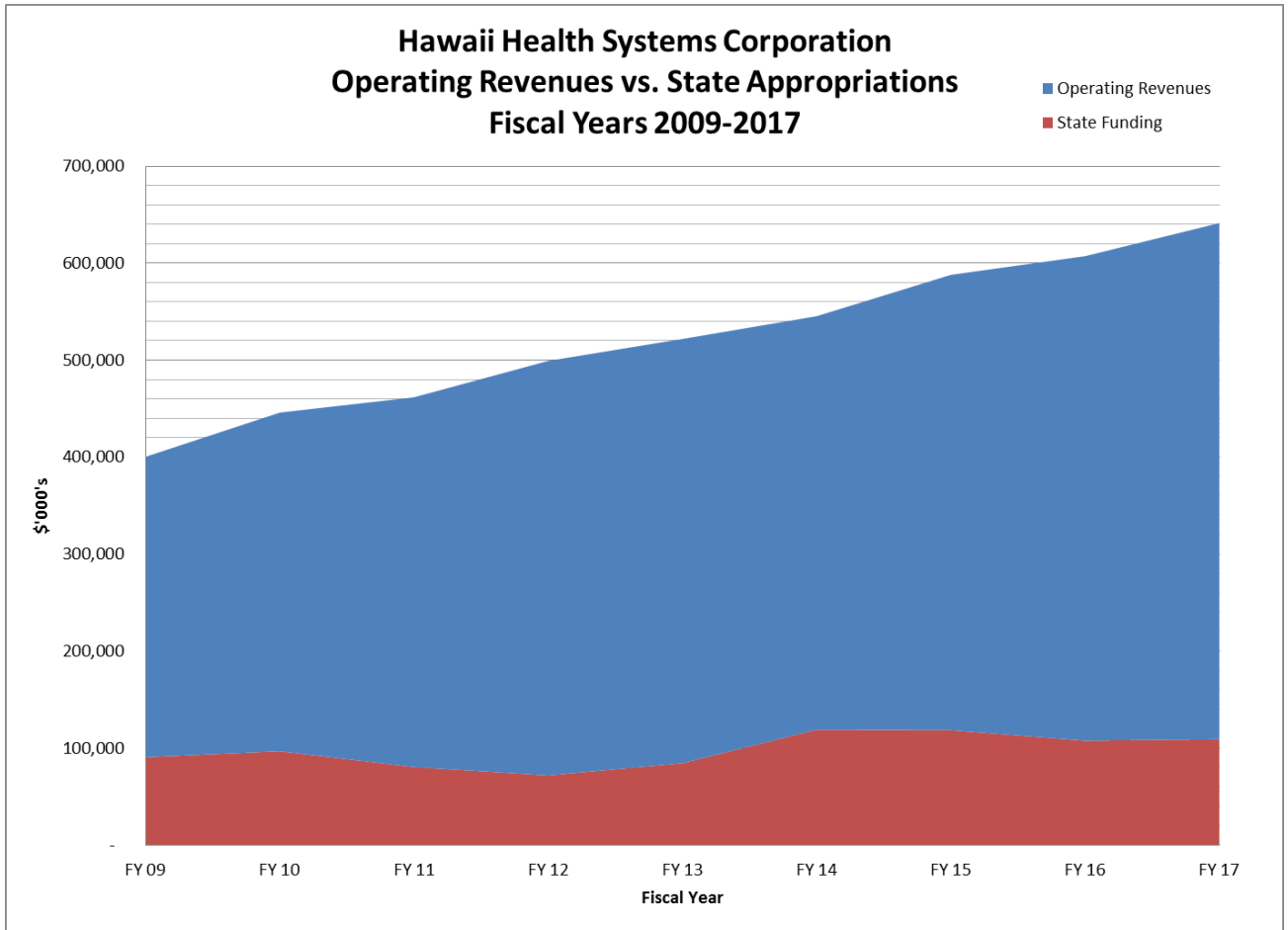
HHSC plays a vital role in the healthcare delivery system for the State of Hawaii. In fiscal year 2018, HHSC provided the care for approximately **12%** of all acute care discharges and **16%** of all emergency room visits statewide and was the largest provider of healthcare on the Neighbor Islands excluding the County of Maui. Additionally, HHSC's breakdown of service delivery included the following:

- For Hawaii county residents, HHSC facilities provided the care for approximately 69% of all acute care discharges and approximately 84% of all emergency room visits;

- For Kauai county residents, HHSC facilities provided the care for approximately 19% of all acute care discharges and 37% of all emergency room visits; and
- For residents of the City and County of Honolulu, the two Oahu Region facilities accounted for 11.5% of the total inpatient skilled nursing/intermediate care capacity for the county.

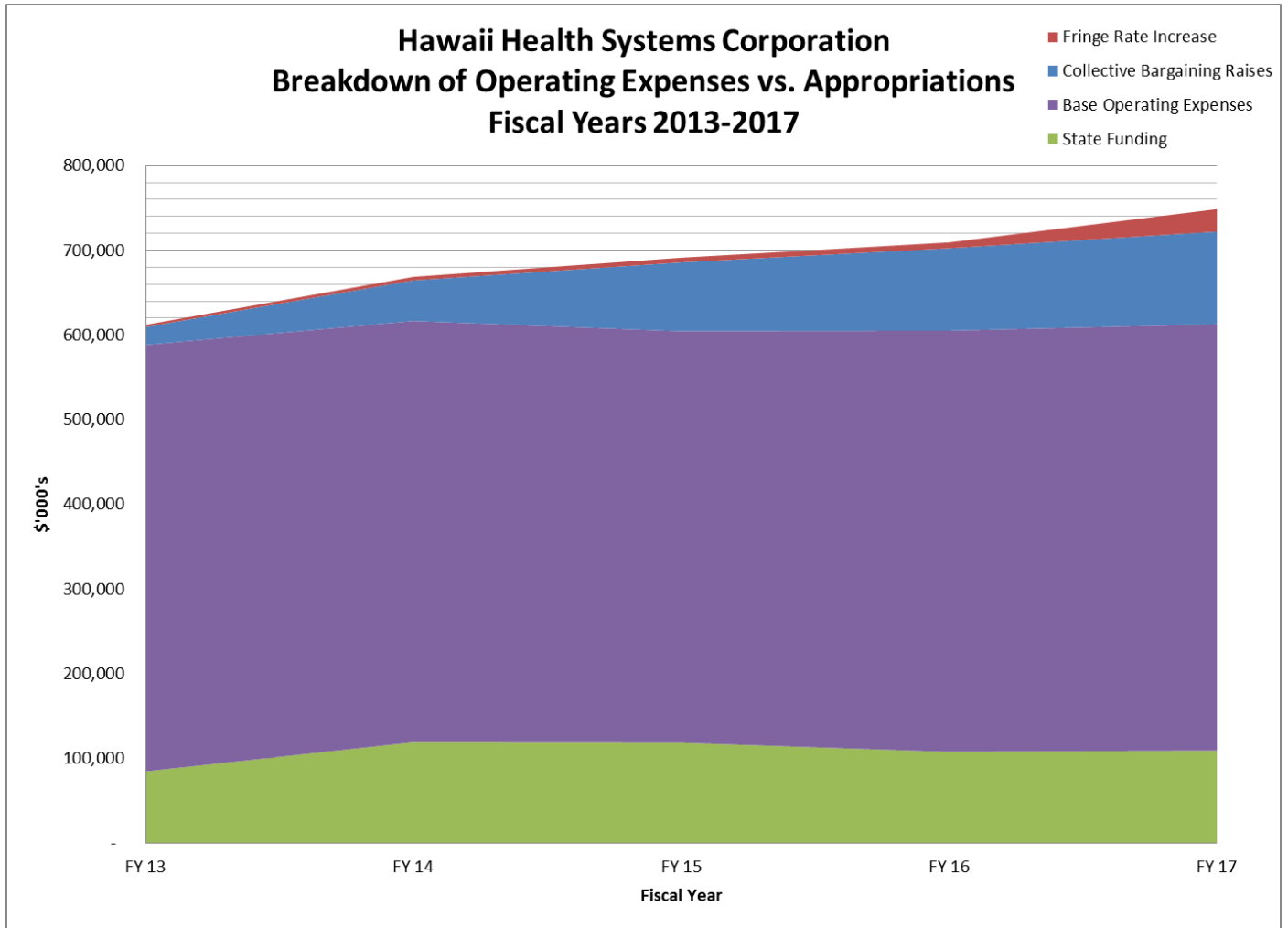
In spite of its many challenges (including a large percentage of Medicaid/Quest Integration patients, labor costs well above industry norms, inability to outsource non-clinical functions, and compliance with federal mandates and the impact of federal budget reductions), HHSC continues to provide high quality healthcare to the island communities it serves and is making progress in key areas.

- HHSC's four operating regions managed to increase their operating revenues over 7% from fiscal year 2017 to fiscal year 2018. Much of the increase in operating revenues from last year is due to increases in emergency department volume. Hilo Medical Center saw an increase in emergency department visits of almost 4% and Kona Community Hospital saw an increase in emergency department visits of 7% during fiscal year 2018. In fact, since 1998, HHSC revenues for its four operating regions have increased by over \$263 million, or almost **200%**, despite increasing downward pressures on reimbursement from the Medicare program. In addition to the provision of new critical service lines, these increases have come from intense focus on better negotiations with third party payors, better documentation, improved billing, coding and collection procedures, strategic pricing initiatives and other measures.
- As shown in the chart below, HHSC has managed to increase its operating revenues by over \$222,000,000 from fiscal year 2009 to fiscal year 2017, while state subsidies have remained relatively flat.



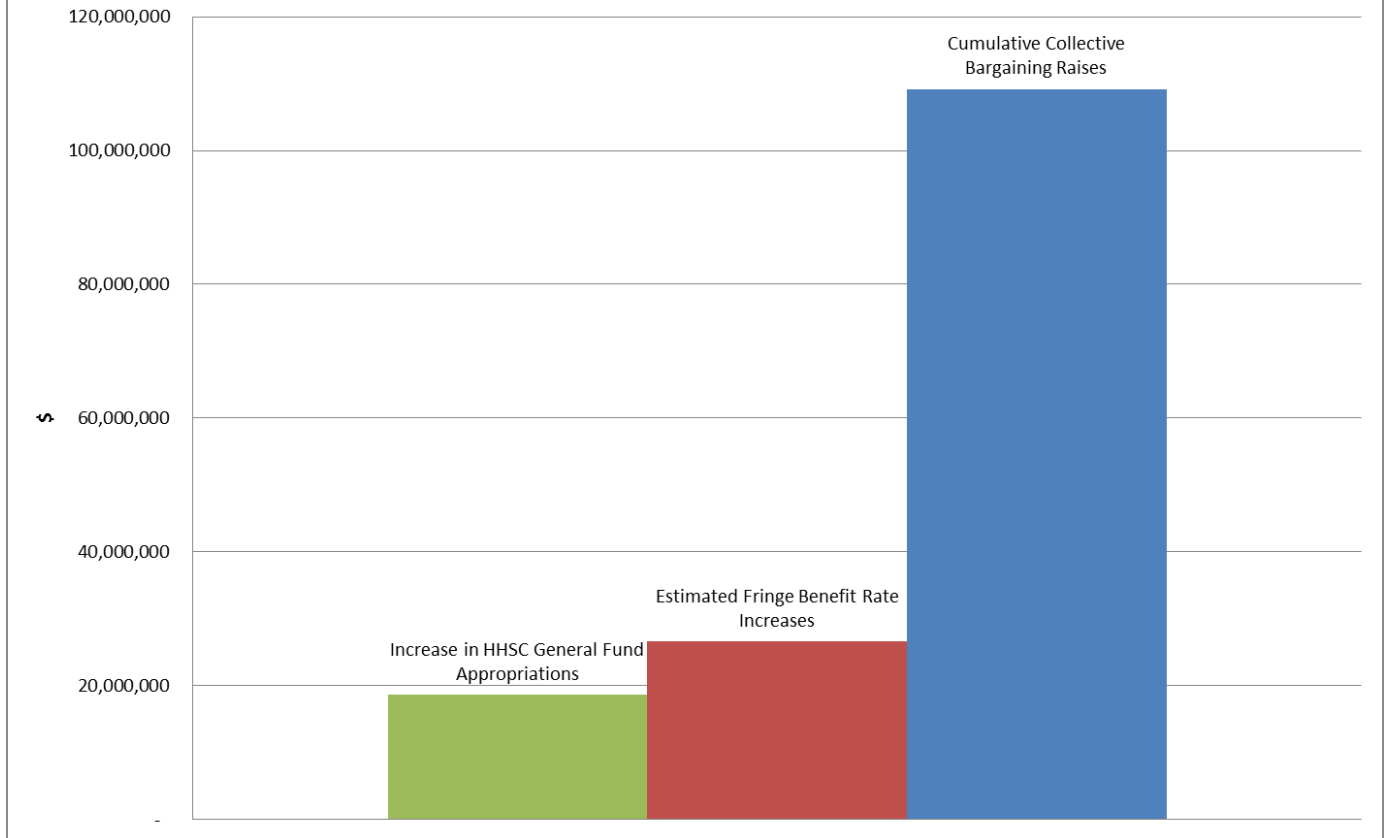
- HHSC has also managed to keep its base operating expenses relatively flat from fiscal year 2013 to fiscal year 2017, with cost increases coming from mandated collective bargaining pay raises and fringe benefit rate increases, as shown in the chart below.

## Hawaii Health Systems Corporation Breakdown of Operating Expenses vs. Appropriations Fiscal Years 2013-2017



- In fact, from fiscal year 2009 through fiscal year 2017, the growth in mandated collective bargaining pay raises and fringe benefit rate assessments has far outgrown the amount of increase in HHSC’s state subsidy, as shown in the chart below.

## Hawaii Health Systems Corporation Cumulative Increases in Mandated Expenses vs. State Funding Fiscal Years 2009-2017



HHSC is appreciative of the support by the Legislature to provide general fund appropriations for the operations of HHSC’s facilities. The HHSC Corporate Board has approved a general fund appropriation request for \$36,907,000 in fiscal year 2020 and \$39,411,000 in fiscal year 2021 for HTH 212, HHSC – Regions. These increases in general fund appropriations would be necessary to pay for all the increased cost pressures of mandated prior and current collective bargaining raises and healthcare inflation cost increases. This represents the amount of general fund appropriations that HHSC’s facilities need just to continue providing their current level of healthcare services. HHSC’s regions have other regional requests for operational funding that are addressed in other bills.

This testimony addresses only the amounts that would go to HTH 212, HHSC – Regions. We expect Kahuku Medical Center 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 **in strong support** of this measure.

**HB-1421**

Submitted on: 2/11/2019 9:44:34 AM

Testimony for HLT on 2/12/2019 9:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Elena Cabatu	East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments:

On behalf of the East Hawaii Region of Hawaii Health Systems Corporation, consisting of Hilo Medical Center, Hale Ho'ola Hamakua in Honoka'a, Ka`u Hospital and our 13 specialty clinics, please accept our support for HB1421 that appropriates funds for the fiscal biennium 2019-2021 operating budget of Kahuku Hospital (HTH211) and Hawaii Health Systems Corporation - Regions (HTH212) under the purview of the House of Representatives Standing Committee on Health.



# KAHUKU MEDICAL CENTER

Testimony from Alan MacPhee, CEO  
Kahuku Medical Center  
For the Committee on Health  
Tuesday, February 12, 2019  
Re: HB 1421

## 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 funding for the much needed capital improvement projects for our aging hospital. 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.

In recent years, Kahuku Medical Center has survived financially by keeping salary and wages well below market rates for similar positions. Until recently wages were 30% to 50% below market rates. During this period Kahuku Medical Center was recognized nationally as one of the top 20 critical access hospitals in the country. This is a testimony to the loyalty of our employees. However, this cannot continue as we strive to improve operational and financial performance. To meet the healthcare needs of our community we will need to expand our workforce. We need to pay higher wages.

This will be an ongoing expense increase, however, we anticipate improvements in financial performance to provide the funding required to continue paying these necessary wage and salary increases.

With the continued growth of the North Shore and being the only healthcare facility within 55 miles, Kahuku Medical Center has never been a more important provider of healthcare services and we appreciate your investment in our community.