

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

March 21, 2019
Conference Room 329
10:00 a.m.
Hawaii State Capitol

**Testimony Supporting and Providing Comments on Senate Bill 815, SD2
Relating to the Department of Health
Appropriates funds for operating expenses of the department of 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 **support of and providing comments on** SB 815, SD 2 that appropriates funds for operating expenses of HHSC within the department of health.

HHSC is appreciative of the support by the Legislature to provide general fund appropriations for the operations 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 operational funding request. The amounts recommended by the Governor are substantially the same amount HHSC received in fiscal year 2019, and, considering all the increased cost pressures of mandated prior and current collective bargaining raises and healthcare inflation cost increases, funding at this level of appropriations would force HHSC to reduce services at all of its regions. **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.** This represents the amount of general fund appropriations that HHSC's facilities need just to continue providing their current level of healthcare services.

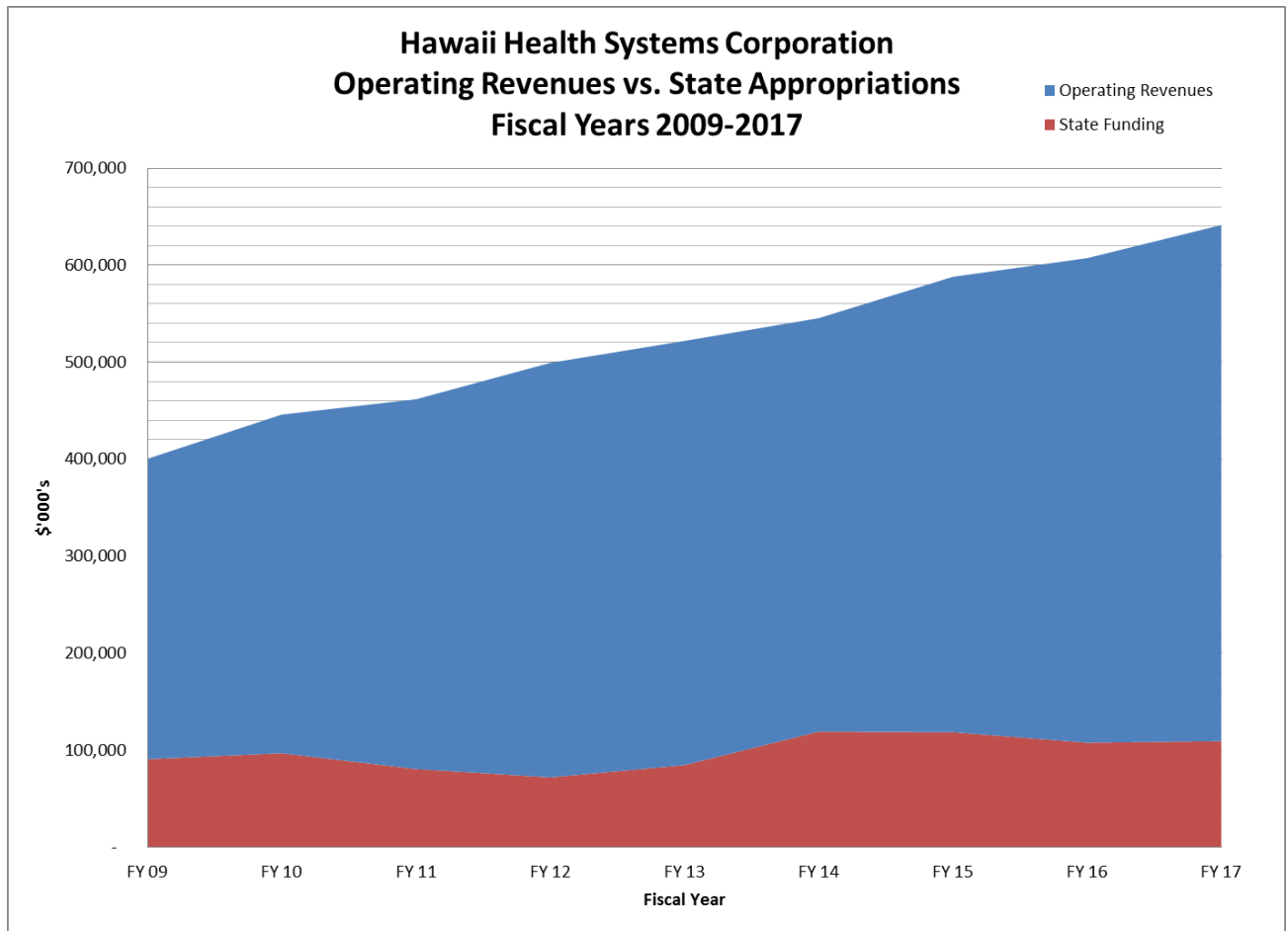
HHSC plays a vital role in the healthcare delivery system for the State of Hawaii. In fiscal year 2018, HHSC provided the care for approximately **12%** of all acute care

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:

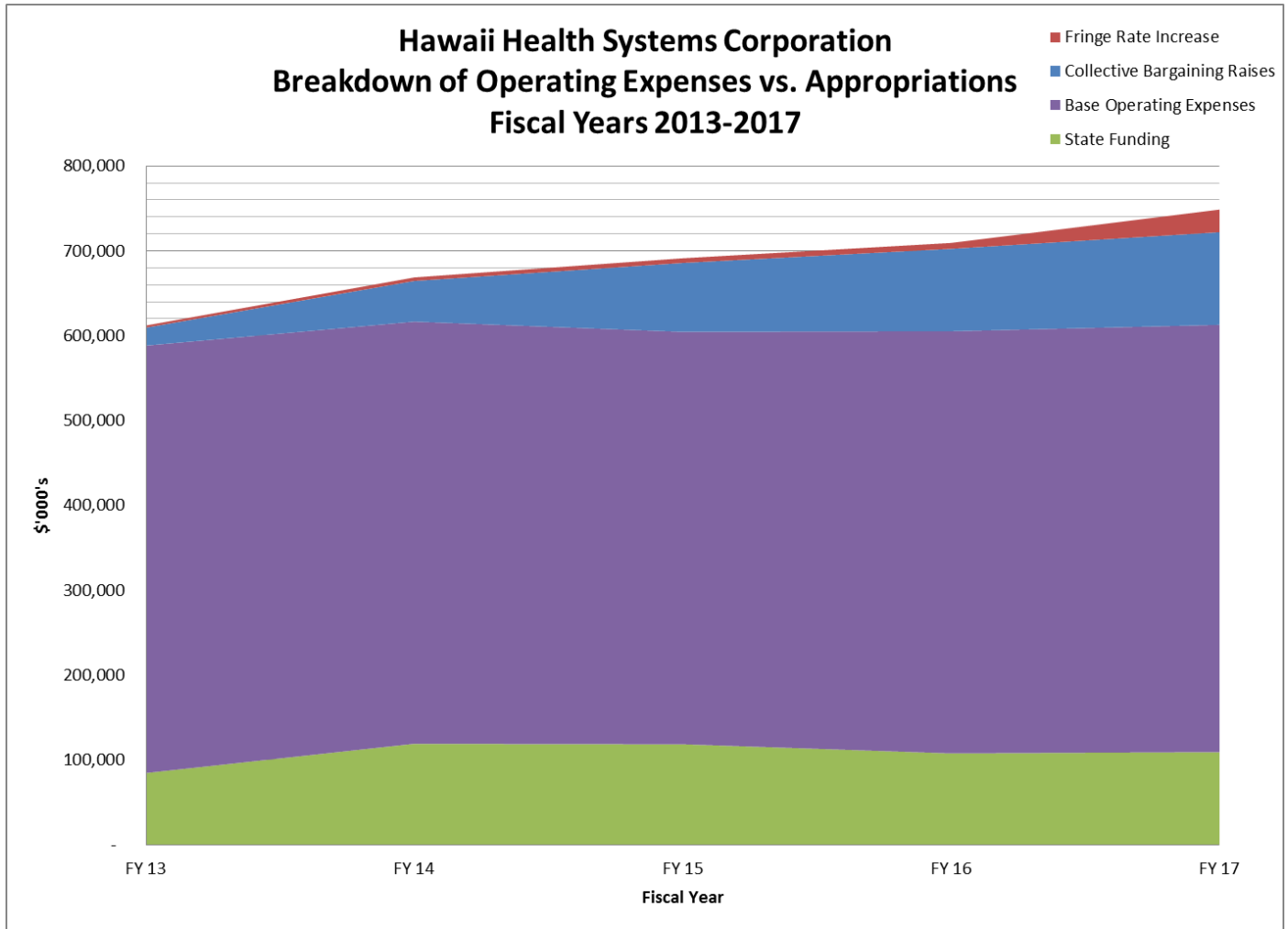
- For Hawaii county residents, HHSC facilities provided the care for approximately 69% of all acute care discharges and approximately 84% of all emergency room visits;
- For Kauai county residents, HHSC facilities provided the care for approximately 19% of all acute care discharges and 37% of all emergency 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.

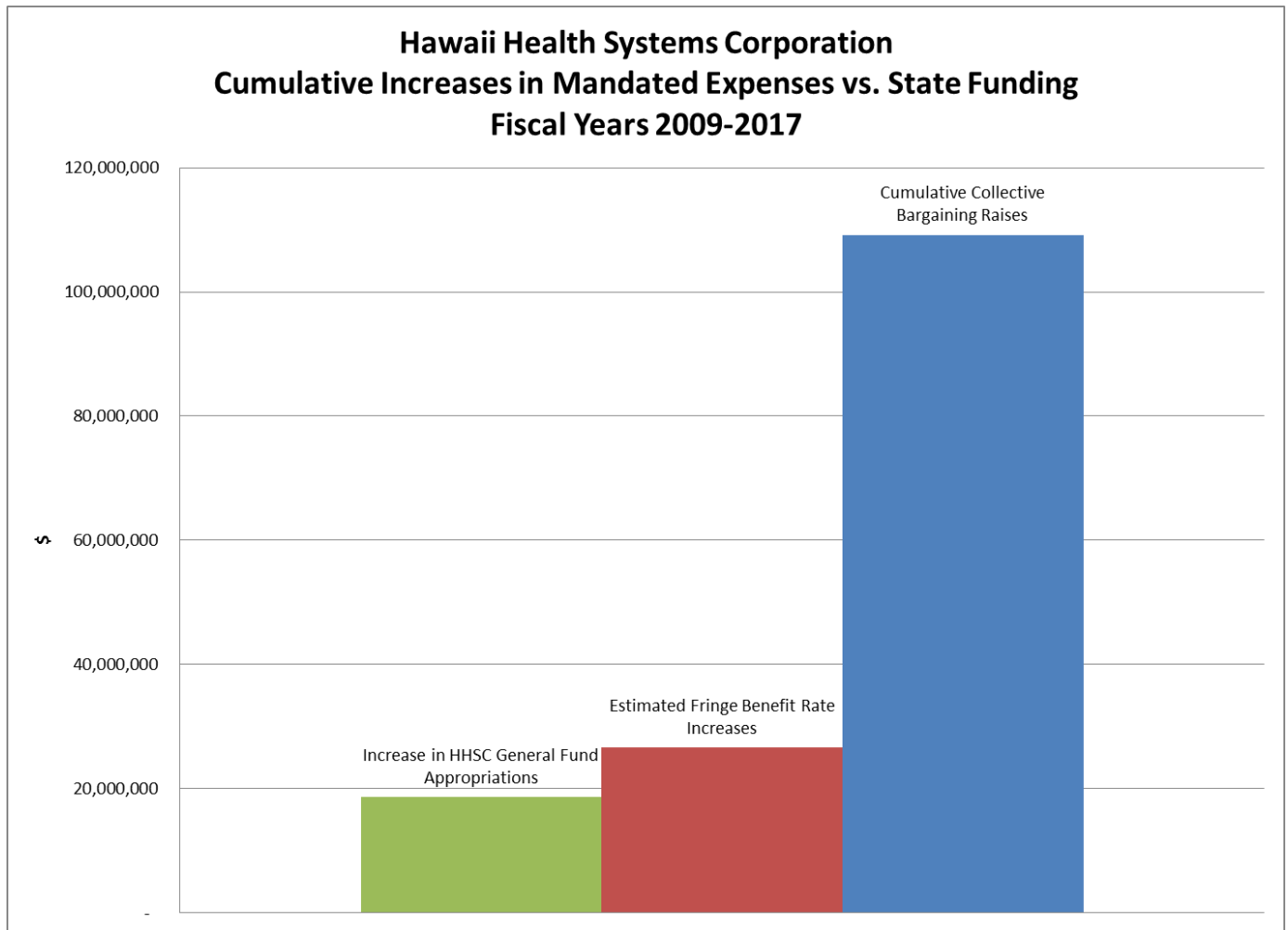
- HHSC's four operating regions managed to increase their operating revenues over 7% from fiscal year 2017 to fiscal year 2018. Much of the increase in operating revenues from last year is due to increases in emergency department volume. Hilo Medical Center saw an increase in emergency department visits 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.



- 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.



CONCLUSION

Therefore, HHSC requests that this bill be amended to reflect the total amount requested by HHSC of \$36,907,000 in fiscal year 2020 and \$39,411,000 in fiscal year 2021 for HTH 212, HHSC – Regions.

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.