

ACT 58

H.B. NO. 888

A Bill for an Act Making Appropriations to the Maui Health System.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that the Maui Health System manages several key health care institutions in the county of Maui that are critical to the health and well-being of county residents, including Maui Memorial Medical Center, Kula Hospital, and Lanai Community Hospital. The Maui

Health System, which is an affiliate of Kaiser Permanente, took over these facilities from the Hawaii health systems corporation. Each year, the Maui Health System averages 8,529 inpatient admissions, 53,647 emergency room visits, and provides skilled nursing and long-term care for up to one hundred twenty-four patients. In addition, the Maui Health System is the only health care provider on the neighbor islands that provides cardiac surgery, interventional cardiology, interventional neurosurgery, and neurosurgery.

As part of its transfer agreement with Hawaii health systems corporation and the State, the Maui Health System receives partial operating subsidies from the State to ease the hospitals' transition from being government-managed to privately managed. The Maui Health System intends to become self-sufficient or non-reliant on state operating subsidies by June 30, 2025. The legislature finds that the Maui Health System has made great progress in meeting this goal, and its Maui and Lanai facilities have experienced marked improvements in their quality and revenue cycles and continued cost savings from supply contracting and standardization. The legislature notes that although the Maui Health System is receiving \$28,000,000 in subsidies during fiscal year 2018-2019, this amount is significantly less than the \$36,800,000 that the Hawaii health systems corporation received from the State to manage the hospitals before their transition to the Maui Health System.

In 2019, the Maui Health System will continue on its path toward self-sufficiency. Specifically, the organization is focusing its efforts to resolve union negotiations and identify appropriate staffing levels by managing productivity. In addition, the Maui Health System intends to improve revenues by decreasing the outmigration of services from Maui and recruiting physicians specializing in areas including but not limited to neurosurgery, trauma, oncology surgery, cardiology, nephrology, urology, and primary care. For each physician recruited, the Maui Health System can retain services for the communities of Maui and Lanai on island and generate additional revenue, thus reducing the need for subsidies.

The purpose of this Act is to appropriate moneys to the Maui Health System for fiscal year 2019-2020, to continue assisting the organization's operations as it moves toward self-sufficiency.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$22,500,000 or so much thereof as may be necessary for fiscal year 2019-2020 to support the operations of the Maui Health System, A Kaiser Foundation Hospitals LLC.

The sums appropriated shall be expended by the Hawaii health systems corporation for the purposes of this Act.

SECTION 3. This Act shall take effect on July 1, 2019.

(Approved June 7, 2019.)