



Community hospitals affiliated with KAISER PERMANENTE.

February 21, 2019

Committee on Finance
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
11:00 AM, Conference Room 308
State Capitol
415 South Beretania Street

Aloha Chair Luke, Vice Chair Cullen 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.

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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 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.

Joyce Tamori
Chief Financial Officer

HB-888-HD-1

Submitted on: 2/17/2019 3:44:34 PM

Testimony for FIN on 2/21/2019 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Kohn MD	We Are One, Inc. - www.WeAreOne.cc - WAO	Support	No

Comments:

Council Chair
Kelly T. King

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
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Michael J. Molina
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February 20, 2019

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Kelly T. King
Council Chair

Handwritten signature of Kelly T. King in black ink.

SUBJECT: **HEARING OF FEBRUARY 21, 2019; TESTIMONY IN SUPPORT OF HB 888, HD 1 RELATING TO MAKING APPROPRIATIONS TO THE MAUI HEALTH SYSTEM**

Thank you for the opportunity to testify in **support** of this important measure. The purpose of this measure is to make appropriations to support the operations of the Maui Health System.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. The Maui Health System manages several key healthcare institutions, including Maui Memorial Medical Center, Kula Hospital, and Lanai Community Hospital. These institutions are critical to the health and well-being of Maui County residents.
2. The Maui Health System, as part of its transfer agreement with Hawaii Health Systems Corporation and the State of Hawai'i, has received partial operating subsidies since transitioning from government management to a privately managed organization.
3. The Maui Health System has made progress toward its goal of self-sufficiency by June 30, 2025. Enactment of this measure will allow Maui Health System steadily continue its path toward independence.

For the foregoing reasons, I **support** this measure.