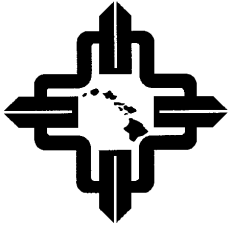


SB815

Measure Title:	RELATING TO THE DEPARTMENT OF HEALTH.
Report Title:	Budget; Department of Health; Operating Expenses; Appropriation (\$)
Description:	Appropriates funds for operating expenses of the department of health.
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 815 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 SB 815 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'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 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

Committee on Commerce, Consumer Protection, and Health
February 1, 2019

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

TITLE: Relating to Kahuku Medical Center

SECTION 1. The purpose of this Act is to provide funding for the operations of the Kahuku Medical Center for the fiscal biennium beginning July 1, 2019, and ending June 30, 2021.

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 \$1,000,000. 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.

SECTION 2. The following sums, or so much thereof as may be sufficient to accomplish the purposes and programs designated herein, are hereby appropriated or authorized, as the case may be, from the means of financing specified to the Kahuku Medical Center for the fiscal biennium beginning July 1, 2019, and ending June 30, 2021.

HTH 211 - Kahuku Medical Center

APPROPRIATIONS			
FISCAL	M	FISCAL	M
YEAR	O	YEAR	O
2019-2020	F	2020-2021	F

\$1,000,000 (A) \$1,000,000 (A)

SECTION 3. The sums appropriated shall be expended by the Kahuku Medical Center for the purposes of this Act.

SECTION 4. This Act, upon its approval, shall take effect on July 1, 2019.

INTRODUCED BY: _____

SB-815

Submitted on: 1/31/2019 2:57:58 PM

Testimony for CPH on 2/1/2019 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elena Cabatu	Testifying for East Hawaii Region of Hawaii Health Systems Corporation	Support	No

Comments:

Please accept this late testimony in support of SB815 on behalf of the East Hawaii Region of Hawaii Health Systems Corporation.