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The Senate  
The Twenty-Fifth Legislature  
Regular Session of 2009

Committee on Health  
Sen. David Y. Ige, Chair  
Sen. Josshs Green, M.D., Vice Chair

DATE: Monday, March 16, 2009  
TIME: 3:00 p.m.  
PLACE: Conference Room 016  
State Capitol  
415 South Beretania Street

**TESTIMONY OF THE UNITED PUBLIC WORKERS, AFSCME,  
LOCAL 646, AFL-CIO ON H.B. 1372 RELATING TO  
HAWAII HEALTH SYSTEMS CORPORATION**

My name is Dayton M. Nakanelua, and I am the state director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). In behalf of approximately 500 blue collar, non-supervisory employees from bargaining unit 1 and 1,000 institutional, health, and correctional workers from bargaining unit 10 who are currently employed by the Hawaii Health Systems Corporation (HHSC), the UPW opposes House Bill No. 1372 which gives to HHSC the authority for the formation of a new transition entity through the sale, lease, or transfer of the various assets or facilities of the State by the corporate board or regional system (in section 2), and to broadly grant contracting out authority to the corporate or regional system boards (in Section 5). The union submits that granting further authority and autonomy to HHSC and its regional system board, and transferring State facilities and assets will not work.

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It is time to hold top managers of HHSC accountable for the budget deficits and fiscal crisis, and to give serious consideration to restoring our community hospital system (under the State of Hawaii) which existed prior to 1996.

As you know, when HHSC was established in 1996 (through chapter 323F) there was great hope and promise that through restructuring the State of Hawaii's community hospital system, and granting autonomy to "an independent agency of the state" there would be improvements in the quality and affordability of health care for the people. See Haw. Sess. L. Act 262, § 2 at 595. It was thought that "appropriate flexibility and autonomy was needed for the community hospitals to compete and remain viable." Id. Instead each year the legislature is asked to pay more and more. As you know, the estimated HHSC shortfall for fiscal year 2008-2009 is \$40,000,000 and the projected deficit for fiscal year 2009-2010 is \$62,000,000. Meanwhile, the top executives of HHSC receive compensation which exceeds three (3) times what is paid to the heads of state departments and executive agencies and are given long term contracts with lucrative severance and housing allowances and exclusive incentive payments. See The Legislative Auditor's Report No. 08-08 (April 2008), at pp. 36-37 (attached).

We do not agree with the proponents of this measure that HHSC and its regional boards should be authorized to form a new entity, including a "for profit corporation" and to sell and transfer State assets as provided in the measure. (See Section 2). State "assets" and facilities should not be encumbered or transferred at the behest of any particular regional board or even by decision of the board of directors of HHSC for "profit."

We also oppose authorizing provisions which grant HHSC and its regional boards the authority to contract out

operations with other entities under section 5. Under these provisions a regional board can advance its own interest by entering into a joint venture (for profit) which benefits one facility directly, but which could be detrimental to the interest of the remaining hospitals and facilities. Allowing fragmentation of the system in this manner is contrary to the public interest and to the statewide health care interest of the people of Hawaii.

We urge you to carefully examine what has happened under HHSC administration since 1996, and give serious consideration to restore health care to the State of Hawaii, Department of Health.



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The Twenty-Fifth Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Health

Testimony by  
Hawaii Government Employees Association  
March 16, 2009

H.B. 1372 – RELATING TO THE  
TRANSITIONING OF THE REGIONS  
AND FACILITIES OF THE HAWAII  
HEALTH SYSTEMS CORPORATION

The Hawaii Government Employees Association supports the general purpose and intent of H.B. 1372. We concur that the Hawaii Health Systems Corporation (HHSC) provides vital health care safety net services to communities throughout the State that cannot be lost. The continued financial challenges faced by HHSC and the State pose a risk to the public health services it offers while also hindering efforts to improve the quality of health care delivered to patients.

It is evident that decisive action is needed to ensure that HHSC can remain a viable health care system. Therefore, some type of comprehensive restructuring is required to achieve this important objective. H.B. 1372, although still a work in progress, offers the opportunity for the various stakeholders to participate in developing a new organizational structure that will improve operations and achieve greater efficiency.

H.B. 1372 still permits any of the regional systems or individual facilities to transition into a new legal entity, including but not limited to, a non-profit corporation, for-profit corporation, municipal facility, public benefit corporation, or any two or more combinations of these options.

However, to preserve the safety net for the neighbor islands, we believe the system should remain intact in order to provide central support services to the regional systems and facilities seeking to remain a part of this valuable state agency. If the current HHSC is divided into different entities within a specific region or between regions, those residing on the neighbor islands may encounter a fragmented health care system that will erode the safety net. HGEA is committed to improving the bill as it moves through the legislative process.

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Thank you for the opportunity to testify in support of H.B. 1372.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Nora A. Nomura', with a long horizontal flourish extending to the right.

Nora A. Nomura  
Deputy Executive Director